



Overseas Vendor Registration Regime

FAQs

As more services are consumed “digitally”, it is becoming important for tax authorities to update tax rules to maintain a level playing field between domestic businesses and foreign businesses providing digital services.

To align the Goods and Services Tax (“GST”) treatment for all digital services consumed in Singapore, GST will apply to imported business-to-consumer (“B2C”) digital service transactions with effect from 1 January 2020. This will be achieved through an Overseas Vendor Registration (“OVR”) regime.

The OVR regime will have an impact on overseas vendors supplying digital services to customers in Singapore and operators of electronic marketplaces supplying digital services on behalf of suppliers and merchants through their marketplace to customers in Singapore. They will be required to register, charge and account for GST if certain conditions are met.

The following are some frequently asked questions on how the OVR regime is applicable to overseas vendors and operators of electronic marketplaces.



The current GST rate is 7% and there is a plan to increase the rate to 9% sometime between 2021 to 2025. The exact timing of the increase is yet to be decided by the Government.

What is the OVR regime and who should be concerned?

OVR regime requires an overseas vendor who belongs outside Singapore to register, charge and account for GST on sales of digital services to customers in Singapore who are not GST registered.

An operator of a local or overseas electronic marketplace supplying digital services to customers in Singapore, on behalf of overseas suppliers, may also be required to register, charge and account for GST on behalf of the overseas suppliers under the OVR regime.

What is the scope of digital services under the OVR Regime?

Digital services include services which are supplied over the Internet or an electronic network and the nature of which renders their supply essentially automated with minimal or no human intervention, and impossible without the use of information technology.

Examples of digital services include:

- supplies of downloadable digital content (e.g. mobile applications, e-books and movies)
- subscription-based media (e.g. news, magazines, streaming of TV shows and music)
- software programs (e.g. software, drivers and website filters), electronic data management services (e.g. website hosting and cloud storage)
- support services performed via electronic means to arrange or facilitate transactions, which may not be digital in nature (e.g. service or booking fee charged to the suppliers or customers)

What is an electronic marketplace?

An electronic marketplace is defined by the Inland Revenue Authority of Singapore (“IRAS”) as a medium that:

- i. allows the suppliers to make supplies available to customers; and
- ii. is operated by electronic means.

This includes marketplaces operated via a website, internet portal, gateway, distribution platform or any other types of electronic interface, but excludes payment processors or internet service providers.

Under what circumstances will I need to be registered for GST in Singapore?

An overseas supplier or overseas electronic marketplace operator shall be liable for GST registration under either the retrospective or prospective basis, if the following conditions are satisfied:

1. Retrospective Basis

Your global turnover and value of digital services made to non-GST registered customers in Singapore for a calendar year (i.e. 1 January to 31 December) exceed S\$1 million and S\$100,000 respectively.

As an exception, you will not be liable to register for GST if:

- i. You are certain that your global turnover or value of digital services made to customers in Singapore will not exceed S\$1 million and S\$100,000 respectively in the next calendar year;
- ii. The projection is lower due to specific circumstances; and
- iii. You have supporting documentation to support the projection.

2. Prospective Basis

At any time, there are reasonable grounds to believe that your global turnover and supplies made to customers in Singapore will be more than S\$1 million and S\$100,000 respectively.

To determine the registration thresholds as stated above, overseas electronic marketplace operators must sum up the value of digital services made by them directly to customers in Singapore, as well as the value of digital services made to customers in Singapore by the overseas suppliers through their marketplace.

If you are liable for GST registration, you are required to apply for GST registration within 30 days of:

- i. the end of the relevant calendar year under the retrospective basis; or
- ii. the day you are liable for GST registration under the prospective basis.

I am a local operator of an electronic marketplace. Do the above GST registration rules apply to me?

The GST registration rules under the OVR regime will not apply to you.

You are liable for GST registration under the retrospective basis if your turnover for the calendar year is more than S\$1 million, or under the prospective basis if you can reasonably expect your turnover in the next 12 months to be more than S\$1 million.

(Continued overleaf)

Your turnover will include the value of digital services made through your marketplace by overseas suppliers to non-GST registered customers in Singapore, in addition to taxable supplies made by you.

I am an operator of an electronic marketplace. When will I be considered as the supplier for digital services made by overseas suppliers/merchants through my platform?

If any of the below conditions are met, you shall be regarded as the supplier for digital services made through the marketplace on behalf of overseas suppliers:

- i. The electronic marketplace authorises the delivery of supply to the customer;
- ii. The electronic marketplace sets the terms and conditions under which the supply is made;
- iii. The documentation provided to the customer identifies the supply as made by the marketplace, and not the merchant; or
- iv. The electronic marketplace and the merchant contractually agree that the marketplace is liable for GST; or
- v. The electronic marketplace and the merchant contractually agree that the marketplace is liable for GST.

I am an operator of an electronic marketplace. If I am GST registered, on what transactions must I account for GST?

You must account for GST on all taxable supplies made by you.

In addition, you are required to charge and account for GST on supplies of digital services made on behalf of the overseas suppliers listed on your platform to non-GST registered customers in Singapore if you are regarded as the supplier of those digital services.

The above applies to both a local and overseas electronic marketplace operator.

Why should I be concerned even if my business is below the threshold for GST registration under the OVR regime?

The registration obligation must be monitored on an ongoing calendar year basis as well as any point in time when you reasonably expect to exceed the threshold to register.

If you make sales of digital services, it is important that your accounting system can determine a B2C transaction for the supply of digital services to customers in Singapore and monitor the value of those supplies.

How do I determine if my customer belongs in Singapore?

Generally, your customer belongs in Singapore if he has a business establishment or fixed establishment in Singapore, or if he has no such establishment, his usual place of residence is in Singapore.

The IRAS acknowledges that transactions over the internet may have limited information available. Therefore, proxy indicators may be used to determine the belonging status of customers by maintaining two pieces of non-conflicting evidence based on the following proxy categories:

- i. Payment proxy (e.g. credit card information, bank account details);
- ii. Residence proxy (e.g. billing address); or
- iii. Access proxy (e.g. IP address).



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