



Quick Guide to Singapore Goods & Services Tax 2018

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General Information

Goods and Services Tax (GST) was first introduced in Singapore under the Goods and Services Tax Act (GSTA) on 1 April 1994. The Comptroller of Goods and Services Tax levies this tax upon the supply of goods and services in Singapore by any taxable person in the course or furtherance of a business, as well as upon the import of goods into Singapore. Singapore Customs collects GST upon the importation of goods.

Output Tax

- A GST-registered trader must charge GST on taxable supplies of goods and services made to its customers. The tax charged is known as the output tax.

Input Tax

- The GST suffered on purchases and expenses incurred in the course of business is known as input tax and can be claimed as an input tax credit against the output tax collected.
- The tax is collected at each stage of the transaction process involving a good or service, with the ultimate consumer bearing the tax.
- In this regard, GST does not normally become a business cost to a GST-registered business as it merely acts as a collecting agent for the Comptroller of GST.



Rates of Tax

Standard-Rated Supply

A standard-rated supply is liable to GST at 7%.

Zero-Rated Supply

A zero-rated supply means that GST applies to a specific supply at a 0% rate. Only goods that are exported and services that qualify as international services are zero-rated. GST-registered traders need not charge GST on their zero-rated supplies but may request a refund of any GST they have paid on purchases for the purposes of their business where the company is deemed resident.

Exempt Supply

If a supply is exempt from GST, no tax is chargeable on it. The sale and lease of residential properties, provision of prescribed financial services and supply of investment precious metals are exempt from GST in Singapore. GST-registered traders who make exempt supplies are not entitled to claim the input GST paid on goods and services supplied to them for the purposes of their business where the company is deemed resident.



Registration

Non-Resident Overseas Business

A non-resident overseas business that makes annual taxable supplies in Singapore exceeding S\$1 million must register for GST. It must also appoint a local agent who will act on its behalf for all its GST matters. This agent is responsible for the accounting and payment of GST on behalf of the overseas business entity. The procedure to register for GST is similar to any local company. In general, registration for GST is made by completing the Form GST F1 and submitting it together with necessary supporting documents to the IRAS.

Failure to Register for GST

A person who fails to register for GST may face a fine no greater than S\$10,000 as well as a penalty equal to 10% of the tax due for each year from the date on which the person was required to apply for registration. In the case of a continuing offence, the person faces a further fine of up to S\$50 for each day during which the offence continues after conviction.

GST Representatives

Non-resident businesses that are registered for GST in Singapore must appoint a representative. The representative must keep GST records and accounts and account for GST on behalf of the overseas business it represents. In practice, the non-resident business may only appoint one person at a time to act on its behalf, although a representative may act for more than one principal at any time. The representative must keep separate GST accounts and make separate GST returns for each principal it represents. No permit is required for the representative.



Returns, Payments and Penalties

Due Date

The due date for filing GST returns and making GST payments is one month after the end of the accounting period covered in the GST return. For example, if the GST return is for the quarter ending March 2018, the due date to file the return is 30 April 2018.

GST Electronic Services

The IRAS provides e-Learning courses to help taxpayers understand the capabilities of GST e-Services and how to e-file their GST returns. Details of such e-Learning courses are available at www.iras.gov.sg.

Late Payment

If the tax is not paid by the due date, a 5% penalty for late payment will be imposed. It will be imposed on an estimated tax if no GST return has been submitted. If a GST return was submitted but payment was not made, the 5% penalty will be imposed on the tax declared in the GST return.

If the payment remains unpaid 60 days after the 5% penalty for late payment is imposed, an additional 2% penalty may be imposed for every complete month that the tax remains outstanding. However, the total additional penalty shall not exceed 50% of the tax outstanding.

Late Submission Penalty

With effect from 1 April 2018, if the GST return is not filed by the due date, a late submission penalty of \$200 will be imposed. An additional penalty of \$200 will continue to be imposed for every completed month that the GST return remains outstanding.

However, the total late submission penalty will not exceed \$10,000. Businesses must pay the late submission penalty and still file the overdue return as they can be prosecuted if the return is not filed.

A NIL return is required to be filed even if there is no business done in that period.

Record-Keeping Period

Accounting records are required to be kept for **five years**. Records can be kept in electronic form as long as the guidelines set out in the IRAS e-Tax guides “Keeping of Records in Imaging Systems” and “Keeping Machine-sensible Records and Electronic Invoicing” (available at www.iras.gov.sg) are adhered to.



Input Credit

Taxpayers may claim input GST as a deduction when submitting the GST return to the Comptroller of GST. The total input tax paid on business purchases can be deducted from the total output tax collected from customers. The resulting difference is the net GST payable or net GST refundable.

The following are general conditions that a taxpayer must satisfy to claim input GST:

- The input tax claims must be supported by tax invoices addressed to the claimant, and
- The input tax claims must not be disallowed expenses under Regulation 26 and 27 of the Goods and Services Tax (General) Regulations (GSTGR).
- The GST suffered on purchases and expenses incurred in the course of business is known as input tax and can be claimed as an input tax credit against the output tax collected.
- The tax is collected at each stage of the transaction process involving a good or service, with the ultimate consumer bearing the tax.
- In this regard, GST does not normally become a business cost to a GST-registered business as it merely acts as a collecting agent for the Comptroller of GST.



Input Credit

Partially Exempt Traders

GST-registered traders that make both taxable and exempt supplies (known as partially exempt traders) may be provisionally allowed to claim all input tax incurred in the making of exempt supplies if the partially exempt trader is able to satisfy the de minimis rule. Currently, a taxpayer meets the conditions of the de minimis rule when the total value of all exempt supplies made is less than or equal to:

- An average of S\$40,000 a month, and
- 5% of the total value of all taxable and exempt supplies made in that period

Blocked Input Tax

The following expenses are disallowed from input tax claims:

- Club subscription fees (including transfer fees) charged by sporting and recreational clubs
- Benefits provided to the family members or relatives of employees
- Medical expenses and medical and accident insurance premiums incurred by employees which are non-obligatory under Singapore regulations
- Costs and running expenses of a motor car (except for Q-plate cars with a certificate of entitlement issued before 1 April 1998)
- Expenses incurred on rental cars hired on or after 1 July 1999, and
- Transactions involving betting, sweepstakes, lotteries, fruit machines or games of chance.



Future Developments

- **Introduction of GST on Imported Services**
- **Introduction of GST on Imported Digital Services**

With effect from 1 January 2020, imported services such as consultancy and marketing, as well as imported digital services like downloading of mobile applications and software programs, will be subject to GST.

Pursuant to the current GST rules, a supply of services (other than an exempt supply) by a supplier who belongs to Singapore is subject to GST. However, the same supply by a supplier belonging outside of Singapore is not subject to GST.

To mitigate an 'uneven playing field' between local and overseas businesses and to ensure uniformity in the GST treatment of all services consumed in Singapore,

- Business-to-Business ("B2B") imported services will be taxed via a reverse charge mechanism; while
- The taxation of Business-to-Consumer ("B2C") imported digital services will take effect through an Overseas Vendor Registration ("OVR") mode.



Future Developments

Introduction of GST on Imported Services

Reverse Charge Mechanism (B2B)

- The local business customer is required to account for GST to IRAS on the services it imports.
- The local business customer can in turn claim the GST accounted for as its input tax, subject to the GST input tax recovery rules.

Introduction of GST on Imported Digital Services

OVR (B2C)

- OVR requires overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local consumers to register with IRAS for GST.
- Digital services include the supply of digital products, subscription-based and licensed content, support services to arrange or facilitate, via electronic means, the provision of transactions which may not be digital in nature.





Contact Information

Sivakumar Saravan, Senior Partner
Tax & Corporate Services
siva.saravan@crowe.sg
+65 6221 0338 (815)

Crowe Horwath First Trust

8 Shenton Way
#05-01, AXA Tower
Singapore 068811

Tel: +65 6221 0338
Fax: +65 6221 1080

For more information,
scan QR code below:



www.crowe.sg

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