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Newsflash | 04.2020

Singapore New GST Regimes – Overseas Vendor Registration and Reverse Charge

Singapore has implemented two new Goods and Services Tax (“GST”) regimes with effect from 1 January 2020 both covering the provision of certain imported services by foreign companies where the recipient of the services is resident in Singapore. Previously no GST was charged on certain imported services procured from overseas suppliers. Under the new regimes foreign suppliers may be liable to register for GST in Singapore and a business that is belonging¹ in Singapore may be liable to apply GST via a reverse charge mechanism on imported services.

The two regimes are:

1. Overseas Vendor Registration (“OVR”) regime applies to B2C² imported digital services.
2. Reverse charge mechanism applies to certain B2B³ imported services.

A brief summary of the two regimes follows.

I. Overseas Vendor Registration

The OVR regime is generally applicable to foreign suppliers of B2C digital services whose annual global turnover exceeds SGD 1 million and local⁴ sales of digital services exceed SGD 100,000 for the calendar year or the next twelve months. Under this regime, these foreign suppliers are required to register, charge and account for GST on the digital services supplied in Singapore.

Digital services are defined as any services supplied over the internet or other electronic network such as an electronic marketplace. Some examples of digital services are:

- Downloadable digital content such as mobile applications, e-books and movies.
- Subscription-based media, including streaming of TV

shows and music, online gaming, news and magazines.

- Software programs such as website filters and firewalls.
- Electronic data management, such as website hosting, online data warehousing, file-sharing and cloud storage services.
- Support services provided electronically to arrange or facilitate a transaction which may not be digital in nature, such as commission, listing fees and service charges.

Vendors will be registered under a pay-only regime and no input tax will be claimable. Upon registration for GST, vendors are required to submit a simplified GST return on a quarterly basis stating the value of digital services and output tax charged on these services. In addition, simplified invoice requirements are applicable. However, vendors may opt to register under the full GST regime to claim input tax.

II. Reverse Charge

The Reverse Charge mechanism requires service recipients, who qualify under the categories below, to account for GST on the services procured from foreign suppliers. This is applicable on certain imported B2B services which may include professional, financial, legal services, telecommunication, network, or supply of data, and advertising services to the extent they fall within the scope of the reverse charge. Under the reverse charge regime, a branch and its head office will be considered as separate entities. Members within the same GST Group will be considered as separate entities as well. Consequently, the reverse charge mechanism may have GST consequences.

The Reverse Charge regime affects service recipients who import such B2B services and belong to these two groups:

- a. GST-registered persons that are:
 - i. Not entitled to claim full input tax credit; **or**
 - ii. Belong to a GST group that is not entitled to claim full input tax credit.

¹ For example a corporate entity with its usual place of residence in Singapore, a fixed establishment or a business establishment.

² B2C refers to transactions made by a GST-registered person to a non-GST registered person.

³ B2B refers to transactions made by a GST-registered person to a GST-registered person.

⁴ Local refers to Singapore territory.

- b. Non-GST registered persons that are:
 - i. Not entitled to claim full input tax credit if GST-registered; and
 - ii. Certain imported services exceeding SGD 1 million for the calendar year or the next twelve months.

Taxpayers qualifying for the second category may be liable to register for GST in order to apply the reverse charge mechanism on such services, so that the input tax credit can also be claimed. Once registered for GST, the full GST regime will apply to the taxpayer.

Businesses that are not entitled to claim full input tax credit, or belong to a GST group that is not entitled to claim full input tax credit, are businesses that make substantial exempt supplies or carry out non-business activities. Banks, insurance companies, residential property developers, charities, non-profit organisations, or investment holding companies deriving dividend income, are examples for such businesses.

If a GST-registered business is entitled to full input tax credit or would have been entitled to full input tax credit if it were GST registered, the reverse charge mechanism is not applicable.

Our Comments and Recommendations

Singapore aims to level the playing field for locally supplied services through the introduction of the Overseas Vendor Registration and Reverse Charge regimes. The goal is to minimise any price differences for a person procuring services from a local or foreign supplier.

If you are an overseas vendor supplying, or intending to supply, digital services into Singapore, we recommend you perform an analysis of your business to remain compliant. We also recommend foreign vendors to perform a check on your business and with your consumer, whether he or she is a GST-registered person or business prior to the supply of the digital services into Singapore.

Under the OVR pay-only regime the additional compliance burden appears to be kept minimal with the simplified GST filing and invoice requirements. However, please note that no input tax credit will be allowed, which may result in a disadvantage compared to registering under the full GST regime. Therefore, we recommend to make a cost analysis before registration for the pay-only or full GST regime.

If your business receives services from foreign suppliers, we recommend you to perform an analysis of your business and these transactions to remain compliant. This is irrespective of whether your business is currently GST-registered, as non-GST registered persons may be liable to GST as well.

If you would like to be informed whether the Overseas Vendor Registration or the Reverse Charge regimes are applicable for your business, or you would like our assistance to perform an analysis of your business on whether it is compliant with the Singapore GST Rules, please approach us and we are more than happy to assist you on these matters.



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