GLOBAL INDIRECT TAX

Singapore
Country VAT/GST Essentials

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Scope and Rates

What supplies are liable to GST?

Singapore operates a dual-rate goods and services tax (GST) system (that is, standard-rate and zero-rate) with few exemptions. GST is chargeable on the following two broad areas:

- taxable supplies of goods and services made in Singapore by taxable persons (that is, persons who are GST-registered or liable to register for GST unless they are specifically exempted under the GST legislation); and
- all import of goods into Singapore (regardless of whether the importer is a taxable or non-taxable person) unless import relief applies.

A supply of goods will be regarded to be made in Singapore if the goods are physically located in Singapore at the time of supply. Otherwise, the supply is not within the scope of Singapore GST and is regarded as out-of-scope supplies for GST purposes. A supply of services will be regarded to be made in Singapore if the supplier belongs in Singapore.

The supplier of services would be regarded as belonging in Singapore if he/she has

- in Singapore a business establishment (such as, a branch or agency) or some other fixed establishment and no such establishment elsewhere;
- no such establishment in any country but his/her usual place of residence (that is, the place of incorporation or legal constitution) is in Singapore; or
- such establishments both in Singapore and elsewhere and the establishment of his/her which is most directly concerned with the supply is in Singapore.

In addition, the Singapore GST legislation specifically provides that some transactions which are carried out for no consideration are deemed supplies on which GST needs to be accounted for; for example, the transfer or disposal of business assets in Singapore.
What is the standard rate of GST?
The prevailing standard rate of GST is 7 percent.

Are there any reduced rates, zero rates, or exemptions?
Yes. Zero-rated supplies (that is, GST at 0 percent) include:

- export of goods from Singapore
- provision of international services
- the supply of a prescribed tool or machine used in the manufacture of goods in Singapore, including the development of prototypes of the tool or machine, as well as any services rendered directly in connection with the tool or machine to an overseas person
- since 1 July 2010 zero-rating is extended to include pleasure and recreational ships, goods supplied for use on board or installation on a qualifying ship or aircraft and the transport of goods or passengers via a ship to or from international waters
- with effect from 1 October 2011, goods sold or rented to “Approved Marine Customer” for use or installation on a “commercial ship” wholly for international travel would qualify for zero-rating
- zero-rating is extended to include repair or maintenance services performed on ship parts or components which are delivered to a shipyard in Singapore or an “Approved Marine Customer” with effect from 1 October 2011.

Exempt supplies include the following:

- Sale/lease of residential properties. With effect from 1 January 2011, residential properties have been legislated to exclude nursery homes, but include workers’ dormitories; and
- Most of the financial services.
Registration

Who is required to register for Singapore GST?

Generally, a person is liable to register for Singapore GST when his/her taxable turnover\(^1\) has exceeded SGD1 million in a 12-month period or he/she is currently making taxable supplies and his/her annual taxable turnover is expected to exceed SGD1 million in the next 12 months.

If the person’s annual taxable supplies do not exceed SGD1 million or he/she has not commenced making taxable supplies but expect them to exceed SGD1 million in the next 12 months, he/she may apply for voluntary GST registration if he/she:

- makes or intends to make taxable supplies
- carries on a business and intends to make such supplies in the course or furtherance of that business.

If the person only makes out-of-scope supplies (such as, drop-shipments or third-country sales), he/she is not required to register for GST but may apply for voluntary GST registration if he/she:

- has a business establishment in Singapore or his/her usual place of residence is in Singapore
- does not make or intend to make taxable supplies in Singapore.

Once a person is registered for GST voluntarily, he/she must remain GST registered for at least two years.

A person may apply for exemption from GST registration if his/her taxable supplies are wholly or substantially zero-rated. A person who is granted exemption from GST registration need not submit GST returns but will not be able to claim the GST incurred on his/her business purchase of goods or services. He/she has to notify the Comptroller of GST (Comptroller) when there is a material change in the nature of the supplies made by him/her, or a material alteration in the proportion of his/her taxable supplies that are zero-rated.

The above GST registration rules apply equally to both Singapore and overseas entities. An overseas entity that registers for GST in Singapore must appoint a local agent to be responsible for all its GST matters.

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\(^1\) Taxable turnover is the total value of all taxable supplies (that is, standard-rated and zero-rated supplies) made in Singapore (excluding GST) in the course or furtherance of business. Taxable turnover excludes exempt supplies, out-of-scope supplies and the sale of capital assets.
Are there penalties for not registering or late registration?

Any person who fails to notify the Comptroller of its liability for GST registration within the stipulated time shall be guilty of an offence and shall on conviction:

- pay a penalty equal to 10 percent of the tax due in respect of each year or part thereof commencing from the date on which he/she is required to apply for registration
- be liable to a fine not exceeding SGD10,000
- be liable to a further penalty of SGD50 for every day during which the offence continues after conviction.

Are there any simplifications that could avoid the need for an overseas company to register for GST?

An overseas company would be required to register for GST if it makes or expects to make taxable supplies in Singapore exceeding the GST registration threshold. However, if the overseas company’s liability for GST registration in Singapore is due to the supplies of the goods imported into Singapore, the overseas company would not be required to register for GST in Singapore if it appoints a GST registered agent pursuant to section 33(2) of the GST Act. The GST registered agent (commonly known as the section 33(2) agent) would be deemed the principal in the importation and supplies of the imported goods belonging to the overseas company for GST purposes. In other words, the import and supplies of the overseas company’s goods would be reported in the section 33(2) agent’s GST returns.
VAT Grouping

Is GST grouping possible?
Yes, provided that the criteria are met. The main requirement is that there must be an element of common control over the members of the GST group.

The final approval for group registration is at the discretion of the Comptroller who can refuse an application for the protection of revenue.

Can an overseas company be included in a GST group?
Yes. Overseas companies which do not have a branch in Singapore are subject to additional qualifying condition.

Returns

How frequently are GST returns submitted?
A GST-registered person is required to file a GST F5 return for each accounting period. GST-registered businesses are required to file GST returns electronically.

The GST F5 return for each accounting period, whether monthly or quarterly, must be lodged not later than one month after the end of each accounting period. In a GST prescribed accounting period where there is no trading and no GST on purchases (input tax) to recover or GST on supplies (output tax) to declare, the GST-registered business should complete zero in all boxes of the GST F5 return and submit the completed nil return not later than one month after the end of the prescribed accounting period to the IRAS.

Payment of the net GST payable for an accounting period must also be made not later than one month after the end of the accounting period unless the GST registered business is on the GIRO scheme.

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2 The standard accounting period covered by a GST return is three months. The accounting periods would coincide with the financial year of the GST registered person. For instance, a business with financial year ending on 31 July will have accounting periods that end on 31 July, 31 October, 31 January, and 30 April. However, there is an option for monthly accounting periods.

3 If a GST-registered person is on the GIRO scheme, his/her net GST payable for an accounting period would be deducted from his/her bank account on the 15th day of the month after the due date for submission of the GST F5 return for that accounting period.
**Are there any other returns that need to be submitted?**

**GST F7 form – Disclosure of Errors on GST Return**

Where a GST-registered person made a mistake in his/her past GST return(s), he/she can correct the error(s) in his/her current GST F5 return if:

- the net GST amount in error for all the prescribed accounting periods affected is not more than SGD1,500 (with effect from 1 October 2007)
- the summation of non-GST amounts in error for (each of) the prescribed accounting period(s) affected is not more than 5 percent of the total supplies (in the case where there were no supplies made in the prescribed accounting period, the 5 percent rule will be applied to the total taxable purchases).

If any of the above conditions are not satisfied, the error must be corrected by submitting a Disclosure of Errors on GST Return, GST F7, for the affected prescribed accounting period(s). The GST F7 can be requested on-line via myTax Portal.

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**VAT Recovery**

**Can I recover GST if I am not registered?**

No, except for tourists who are entitled to claim the GST incurred on goods purchased in Singapore and brought out of Singapore under the tourist refund scheme.

**Does your country apply reciprocity rules for reclaims submitted by non-established businesses?**

No, as long as the GST registered businesses satisfy the input-tax claiming conditions, refund can be made in the GST returns.
Are there any items that you cannot recover GST on?
Generally, GST that is incurred in the course or furtherance of business for the purpose of making of taxable supplies or out-of-scope supplies that would be taxable if they are made in Singapore can be claimed as input tax. However, input tax claims on the following expenses are specifically disallowed under the Singapore GST legislation (hereafter known as blocked input tax):

- social and/or recreational club subscription fees
- medical and accident insurance premiums (unless compulsorily incurred under the Work Injury Compensation Act or Industrial Relations Act)
- medical expenses (exclude compulsory pre-employment and annual health screening expenses and medical expenses compulsorily incurred under the Work Injury Compensation Act or Industrial Relations Act)
- benefits provided to employees’ family members (such as, expatriate’s children school fees, family day, annual dinner and dance)
- any transaction involving betting, sweepstakes, lotteries, fruit machines, or games of chance
- expenses incurred on private registered motor cars
- expenses incurred on company cars of which the COE has been renewed or extended on or after 1 April 1998
- expenses incurred on rental cars hired for use on or after 1 July 1999.

International Supplies of Goods and Services

How are exports of goods and services treated?

Goods
An export of goods from Singapore is zero-rated if the supplier maintains sufficient documents to substantiate the export of goods from Singapore. As an administrative concession, the Inland Revenue Authority of Singapore (IRAS) allows suppliers up to 60 days from the date of supply to gather the relevant export documents.

Services
Services can be zero-rated if they fall within the definition of international services under section 21(3) of the GST Act. Services that are listed under section 21(3) of the GST Act are:

- international transport of passengers/goods
- local transport of passengers/goods provided by the same supplier of international transportation
- insuring or arranging for insurance or arranging for transport of passengers/goods in relation to the above two supplies
- hire of any means of transport for use exclusively outside Singapore
- services directly connected with land or land improvement outside Singapore
- services directly connected with goods outside Singapore

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1 Out-of-scope supplies are supplies which do not fall within the charging provision of the GST legislation (such as, supplies of goods from a country outside Singapore to another country outside Singapore) or are disregarded for GST purposes under specific provisions of the GST legislation (such as, intra-group supplies). GST is not chargeable on out-of-scope supplies.
- services directly connected with goods for export and supplied to a person belonging outside Singapore
- prescribed financial services supplied directly in connection with goods for export
- services for artistic, cultural, sporting, exhibitions, education, etc. purposes performed wholly outside Singapore
- services supplied under a contract with and directly benefiting a person belonging outside Singapore, and who is outside Singapore at the time of supply of services, not being services that are directly in connection with land or goods in Singapore, other than goods for export
- prescribed services supplied under a contract with and directly benefiting a person wholly in his/her business capacity and who in that capacity belongs outside Singapore
- prescribed services in connection with the handling of ships or aircraft, or the handling or storage of goods carried in any ship or aircraft
- pilotage, salvage, or towage services performed in relation to ships or aircraft
- services comprising the surveying of any ship or aircraft or the classification of any ship or aircraft for the purposes of any register
- the supply (including the letting on hire) of any ship or aircraft
- prescribed services comprising the repair, maintenance, broking, or management of any ship or aircraft
- prescribed telecommunication services
- services supplied in relation to a trust, where the services and the person supplying the services satisfy the prescribed conditions
- services supplied, under a contract with and directly benefiting a person belonging outside Singapore relating to the co-location in Singapore of computer server equipment
- prescribed services in connection with a provision of an electronic system relating to the import of goods or the export of goods out of Singapore
- services comprising the promulgation and/or the supply of a right to promulgate an advertisement by means of any medium of communication where the advertisement is intended to be substantially promulgated outside Singapore
- the supply (including the letting on hire) of any air container or sea container, which is used or to be used for the international transportation of goods and which complies with such other requirements as may be prescribed
- prescribed services comprising of the repair, maintenance or management of any air container or sea container, which is used or to be used for the international transportation of goods and which complies with such other requirements as may be prescribed
- the supply (including the letting on hire) of qualifying aircraft parts that are certified as airworthy by a person certificated by a national civil aviation authority in relation to an aircraft that is not a military aircraft, and that government owing that aircraft in relation to a military aircraft.

5 The person with whom the contract is made and the person who directly benefits from the services may be the same or different persons.

6 Section 21(3) of the Act was amended with effect from 1 January 2009 to allow zero-rating of the sale and lease of sea and air containers used or to be used for international transportation of goods, and the repair, maintenance and management of such containers. Prior to 1 January 2009, relief was granted by way of remission.
How are goods dealt with on importation?

GST is chargeable at the prevailing standard-rate (7 percent) on the importation of goods into Singapore regardless of whether the importer is a taxable or non-taxable person. The import GST is collected by the Singapore Customs from the importer of record (that is, the person taking up the import permit) at the point of importation.

Import GST is not payable under the following circumstances:

- goods are granted imports relief by the Singapore Customs (such as, temporary import of goods for repair in Singapore and the goods would be exported after repair)
- goods are imported into a Free Trade Zone (FTZ)7
- goods are imported into a Zero-GST Warehouse (ZG)
- goods are imported by a person/entity who has been accorded the Major Exporter Scheme (MES) status by the IRAS
- goods imported by logistics companies which are granted by the IRAS to operate under the Approved Third Party Logistics Company Scheme
- goods removed from a ZG by an approved MES trader
- goods imported by a person/entity who has been accorded the Approved Import GST Suspension Scheme (AISS) by the IRAS
- goods imported by a person under the Import GST Deferment Scheme. Beginning 1 October 2010, a new scheme will be introduced to allow approved GST-registered businesses to defer import GST that is payable on their goods at the point of entry into Singapore for at least one month.

For the purpose of claiming a refund of the tax paid on importation, the person who should take up the import permit and pay the import GST should be the owner of the goods at the point of customs clearance. An overseas entity that is not registered for GST in Singapore can appoint a GST-registered agent in Singapore to import and supply the imported goods on its behalf.

How are services which are brought in from abroad treated for GST purposes?

Reverse charge is currently suspended in Singapore, as the Finance Minister has not prescribed the imported services that would be subject to reverse charge. Thus, businesses in Singapore need not account for GST on services provided by overseas suppliers.

7 FTZs are located in the Port of Singapore, Jurong Port, Sembawang Wharves, Pasir Panjang Wharves, the Cargo Terminal Complex of Changi Airport and Airport Logistics Park of Singapore.
Invoices

What do I have to show on a tax invoice?
All valid tax invoices must contain the following particulars:

- the words tax invoice must be printed in a prominent place
- an identifying number
- the date of issue of the invoice
- the name, address, and registration number of the supplier
- the name and address of the person to whom the goods or services are supplied
- a description sufficient to identify the goods or services supplied and the type of supply
- for each description, the quantity of the goods or the extent of the services, and the amount payable excluding GST
- any cash discount offered
- the total amount payable excluding GST, the rate of GST, and the total GST shown separately
- the total amount payable including the total GST
- the total amounts payable excluding GST, the total GST, and the total amount payable including the total GST, if in foreign currency, must be converted by the supplier into Singapore currency using the selling rate of exchange applying at the time the supply takes place or such in-house rates as the Comptroller of GST may approve for the supplier’s use
- if applicable, the breakdown of exempt, zero-rated or other supply, stating separately the gross amount payable in respect of each.

For amounts payable not exceeding SGD1,000 (including GST), a simplified tax invoice may be used. The simplified tax invoice should contain the following information:

- the name, address, and GST registration number of the registered taxable person
- the date of issue of the invoice
- an identifying number
- a description sufficient to identify the goods or services supplied
- the total amount payable including the total tax chargeable.

Can I issue invoices electronically?
Yes. Effective 18 November 2003, e-tax invoices can be issued without seeking the Inland Revenue Authority of Singapore (IRAS)’s approval provided that the requirements set by the IRAS are complied with.

Is it possible to operate self-billing?
Yes. A GST-registered person may issue tax invoices to himself/herself in respect of supplies made to him/her if he/she makes a declaration to the IRAS that all the conditions laid down by the IRAS have been met.
**Transfers of Business**

**Is there a relief from GST for the sale of a business as a going concern?**

Yes. If a sale of business qualifies as a transfer of business as a going concern (TOGC) which is a non-supply for GST purposes, no GST would be due on the transaction. To qualify as a TOGC, certain conditions must be met – for example, the assets must be used by the transferee in carrying on the same kind of business and the transferee is already, or immediately becomes as a result of the transfer, a taxable person.

**Options to Tax**

**Are there any options to tax transactions?**

Not applicable.

**Head Office and Branch Transactions**

**How are transactions between head office and branch treated?**

Transactions between head office and its branch(es) are non-supplies as they are regarded as one entity for Singapore GST purposes.

**Bad Debt**

**Am I able to claim relief for bad debts?**

Yes. A taxable person would be allowed to claim GST relief for bad debt written off if a period of 12 months beginning from the date of supply has elapsed or the debtor has become insolvent before the period has elapsed (earlier relief is given in cases of formal bankruptcy or insolvency) and the conditions specified under the GST legislation are satisfied.

Where part payment has been received from the customer, it is to be treated as GST inclusive. The amount of GST claimable as bad debt relief would be the tax fraction of the outstanding debt. The claimant is to include his/her bad debt relief claims as part of his/her input tax when he/she lodges his/her GST return. Where the claimant receives payments from the customers after the bad debt relief has been claimed, the claimant must repay the tax fraction of the payment received to the Comptroller of GST in the accounting period that the payment is received.
Anti-Avoidance

Is there a general anti-avoidance provision under GST law?

Yes. It is provided in the Singapore GST legislation that the Comptroller can vary any arrangement and make adjustments as he/she considers appropriate to counteract any tax advantage obtained or obtainable where the Comptroller is satisfied that the purpose or effect of the arrangement is directly or indirectly to:

- alter the incidence or postpone the time due of any tax
- relieve any person from liability to pay tax or to make a return
- reduce or avoid any liability imposed or would have otherwise been imposed
- obtain or increase any credit or refund of input tax which would not otherwise have been obtained.

Penalty Regime

What is the penalty and interest regime like?

The GST legislation has provided for various types of penalties for non-compliance. For general penalties:

- a fine not exceeding SGD5,000
- an imprisonment term not exceeding six months in default of payment.