

Press Release

MOF INVITES FEEDBACK ON PROPOSED CHANGES TO THE GOODS AND SERVICES TAX (“GST”) ACT

1. The Ministry of Finance is inviting interested parties to provide feedback on the draft GST (Amendment) Bill 2018 from 28 June to 18 July 2018.

Proposed Amendments arising from Budget 2018

2. The proposed amendments to the GST Act include the introduction of GST on imported services, which was announced in the 2018 Budget Statement. The Minister for Finance, Mr Heng Swee Keat, announced that GST will be introduced on imported services from 1 January 2020. This will ensure that our GST system remains fair and resilient in a digital economy. GST on imported services will take effect through:

- a) a Reverse Charge mechanism for business-to-business (“B2B”) imported services, where the local GST-registered business customer is required to account and pay GST to the Inland Revenue Authority of Singapore (“IRAS”) directly, on the services that it imports.

Most GST-registered businesses will not be affected, as they can claim full refund of the GST they incur on their purchases, including imported services. Businesses affected are primarily financial institutions and residential property developers, which do not get such full refund as they make GST-exempt supplies.

- b) an Overseas Vendor Registration (“OVR”) mode for business-to-consumer (“B2C”) imported services.

Overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local consumers are required to register with IRAS. Once GST-registered, they will collect GST on their B2C supplies of digital services and pay it to IRAS.

3. The draft bill also incorporates feedback received from public consultation on IRAS’ draft e-Tax Guides on Reverse Charge and OVR, which was conducted from 20 February to 20 March 2018.

Other Proposed Amendments

4. The draft GST (Amendment) Bill 2018 provides for five other changes to existing tax policies and administration, arising from periodic review of Singapore's GST system as well as to strengthen Whole-of-Government law enforcement. The changes are:

a) Enhance IRAS' powers to investigate tax crimes

Syndicates and recalcitrant taxpayers are becoming more active and are employing more sophisticated strategies for tax fraud. For example, GST fraud has been detected where the seller absconds with the GST collected or where GST refund claims for purchases are fabricated. When investigated, these suspects may refuse to cooperate with IRAS' investigation. For instance, they may refuse to hand over potential evidence, attempt to destroy evidence, or may contact other suspects to corroborate statements. Such acts of non-cooperation affect IRAS' effectiveness in bringing the perpetrators to justice.

The proposed amendments will:

- enhance IRAS' enforcement powers for investigation of specified serious tax crimes, or where the suspect attempts to destroy evidence. Specifically, the proposed amendments introduce the (i) power of forced entry, (ii) power of arrest without warrant and (iii) power of body search subject to conditions. These powers under the proposed amendments will be exercised only by trained IRAS investigation officers and where necessary so that investigations are not impeded.
- expand IRAS' powers to gather all information relevant to its investigations from any person.

b) Sharing of information by IRAS with law enforcement agencies ("LEAs") to combat serious crimes

The activities of criminals including syndicates are often multi-faceted. For instance, their criminal activity may not be limited to tax evasion only, but other forms of illegal activities such as drug dealing and corruption. A Whole-of-Government approach is needed to better fight such serious crimes.

Currently, IRAS is allowed to provide information to LEAs under limited circumstances (e.g. pursuant to a Court Order). The proposed amendment will allow IRAS to share with LEAs information that IRAS assesses as critical for investigation or prosecution of serious crimes. Serious crimes are offences listed in the First and Second Schedules of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act.

Information shared with LEAs is to be disclosed only to prescribed officers in the LEAs. Further disclosure of such information which is not for the purpose of investigation or prosecution will be an offence.

c) Counter unauthorised GST collection

Currently, an offence is committed if a non-GST registered person issues an invoice or receipt with an amount purported to be GST. Such an offence is punishable by a penalty and a fine.

To protect customers and strengthen deterrence against unauthorised collection of GST, the proposed amendment will:

- (i) allow the use of alternative evidence besides invoice or receipt, to prove unauthorised collection of GST;
- (ii) introduce a custodial sentence where the offence is committed without reasonable excuse or through negligence; and
- (iii) introduce a new offence where a GST-registered business, without reasonable excuse or through negligence, collects more GST than allowed under the GST Act.

d) Extend customer accounting to transactions with the Government

The GST (Amendment) Act 2017 made legislative changes to extend customer accounting to prescribed supplies of goods commonly used in GST fraud from 1 January 2019 (i.e. mobile phones sold without mobile subscription plans, memory cards and off-the-shelf software). Under customer accounting, the GST-registered supplier will not collect GST from a GST-registered customer. Instead, the customer will self-account for the GST to IRAS directly. This prevents fraud caused by the supplier absconding after collecting GST from customers.

The GST (Amendment) Bill 2018 proposes to extend customer accounting to transactions with the Government. This will help ease business compliance as GST-registered suppliers will not need to differentiate their transactions with the Government and with GST-registered customers.

e) Provide for the disposal of documents or things seized under the GST Act

Where a matter has not proceeded to prosecution, this amendment will allow the disposal of documents or things seized during investigation if the owner of the seized items fails to collect the items upon the end of investigation.

Consultation Details

5. The public can access the detailed consultation documents for the draft GST (Amendment) Bill 2018 on the Ministry of Finance's website (www.mof.gov.sg) and the REACH consultation portal (www.reach.gov.sg).
6. We encourage all interested parties to submit your comments, using the [prescribed template](#), through:
 - a. email to pc_gstabill@mof.gov.sg (preferred mode) or
 - b. fax to 6337 4134; or
 - c. post to: Ministry of Finance
100 High Street, #10-01
The Treasury
Singapore 179434
Attention: Tax Policy Directorate

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About Ministry of Finance

The Ministry of Finance aims to advance the well-being and development of Singapore through Finance. The Ministry strives to achieve a balanced budget through prudent fiscal policy, foster a regulatory environment conducive to business and enterprise, ensure prudent investment of the Government's reserves and other public funds, and sets policies for government procurement, e-government, customs regulation, accounting standards and business regulation.

We achieve this together with our departments (Accountant-General's Department, Singapore Customs and Vital.org – Centre for Shared Services), and statutory boards (Accounting & Corporate Regulatory Authority, Inland Revenue Authority of Singapore and Tote Board).

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