

## SUMMARY TABLE ON PROPOSED CHANGES TO THE GOODS AND SERVICES TAX ACT

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Change	Amendment to GST Act [Clause in Draft GST (Amendment) Bill 2019]
1	Refine design parameters for GST on imported services	<p>Arising from ongoing engagements to prepare businesses for the implementation of GST on imported services, the following technical and administrative amendments to refine the design parameters of Reverse Charge<sup>1</sup> and Overseas Vendor Registration ('OVR') regime<sup>2</sup> are proposed:</p> <p><u>Reverse Charge</u></p> <p>(a) To clarify that the scope of Reverse Charge applies to all businesses that are registered or liable for registration, and are not entitled to input GST claims in full.</p> <p>(b) To grant the Comptroller of GST the power to impose conditions as he may think fit for group registration applications for businesses subject to Reverse Charge.</p> <p><u>Overseas Vendor Registration</u></p>	4, 6-9, 16-18, 20, 21

<sup>1</sup> GST on business-to-business ("B2B") imported services will apply by way of a Reverse Charge mechanism. Reverse Charge is a GST collection mechanism where the local business customer pays GST to the tax authority directly, on the services it imports. This is in contrast to the conventional GST mechanism domestically where the onus is on the supplier to collect GST from the customer, and pay it to the tax authority.

<sup>2</sup>From 1 January 2020, GST will apply to imported digital services in the context of business-to-consumer ('B2C') transactions by way of a OVR regime. Under the regime, overseas suppliers that have significant B2C business activities in Singapore are required to register, charge and account for GST on such sales. For business-to-business ('B2B') supplies imported services, GST will be applied by way of a Reverse Charge mechanism.

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		<p>(c) To allow GST Group Registration for businesses registered under the OVR pay-only regime<sup>3</sup>.</p> <p>(d) To allow a local marketplace to account for GST on digital services made by underlying suppliers to GST-registered customers (i.e. B2B supplies) via OVR.</p> <p>(e) To clarify that while GST-registered overseas entities are required to appoint a local representative to act on behalf of their GST matters, overseas suppliers registered under the OVR pay-only regime are not required to do so.</p> <p>The proposed refinements seek to clarify or improve GST administration for imported services. They are aligned with the key design principles of introducing GST on imported services, viz. ensuring parity between local and overseas purchases and easing business compliance.</p> <p>The amendment will take effect from 1 January 2020.</p>	

<sup>3</sup> For ease of compliance, overseas suppliers will be registered under a simplified pay-only regime. While input GST claims on purchases incurred in Singapore are not allowed, the regime features simplified GST reporting and documentation requirements.

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2	Introduce an offence for misrepresentation of information	<p>In order for IRAS to enforce GST on imported services effectively, an offence for misrepresentation of information will be introduced.</p> <p>Before charging GST on the sale of digital services under the Overseas Vendor Registration ('OVR') regime, the overseas GST-registered supplier has to determine that (i) the sale made is <u>B2C in nature</u> (i.e. the customer is non-GST registered in Singapore) and (ii) the customer '<u>belongs</u>' in Singapore. Given that the supplier operates overseas, and such transactions take place electronically over the internet, the supplier has to rely on declarations made by customers to determine whether GST is chargeable<sup>4</sup>.</p> <p>This proposed amendment makes it an offence if a customer were to provide false information, in relation to purchases of imported services, where such information may be used by overseas suppliers registered under the OVR regime to determine whether GST is chargeable. An example of such misrepresentation would be an individual consumer holding</p>	12, 13

<sup>4</sup>To determine if their customers belong in Singapore, the overseas suppliers may use certain proxies, such as the customer's IP address, payment information, or billing address.

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		<p>himself out as a GST-registered business customer so that the GST-registered overseas supplier does not charge GST.</p> <p>The proposed amendment provides for a calibrated 2-tier approach:</p> <p>(a) Where false information is provided, to impose a fine, not exceeding \$10,000, upon conviction by the Court. This is aligned with existing penalties in the GST Act.</p> <p>(b) Where there is evidence of wilful intent to evade GST, to provide for a heavier punishment with a custodial sentence, aligned with that under the existing tax evasion offence provision in the GST Act<sup>5</sup>, which may be imposed upon conviction by the Court.</p> <p>The amendment will take effect from 1 January 2020.</p>	
3	Update the GST treatment for digital payment tokens <sup>6</sup>	The amendment updates the GST treatment for digital payment tokens, based on the nature of the underlying transactions:	3, 10, 18-19

<sup>5</sup> Under Section 62 of the GST Act, any person who, wilfully with intent, evade tax shall be guilty of an offence, and shall on conviction, be liable to a penalty of 3 times at the amount of tax undercharged, a fine not exceeding \$10,000, and/or to imprisonment not exceeding 7 years.

<sup>6</sup> A digital payment token is a cryptographically-secured digital representation of value, that is used or intended to be used as a medium of exchange.

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		<p>(a) <u>To exempt from GST</u>, the exchange of digital payment tokens for fiat currency or other digital payment tokens, as financial services, and;</p> <p>(b) <u>Not subject to GST</u> the use of digital payment as a means of payment for goods and services. Consequently, GST will only be imposed on the sale of underlying goods and services.</p> <p>Currently, the sale and transfer of digital payment tokens are regarded as supplies of services, and are subject to GST.</p> <p>The proposed amendment more accurately reflects the characteristics of digital payment tokens, and is an update of GST rules to ensure that they remain relevant in the digital economy.</p> <p>Our proposed treatment is similar to that of other jurisdictions such as Australia, the EU, Japan and Switzerland, which have also updated their Value-Added Tax/GST rules for digital payment tokens in recent years.</p>	

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		<p>There is no change in GST treatment for digital tokens that are used as pre-payment vouchers for specific goods and services (i.e. The sale of such vouchers is akin to the sale of the underlying goods or services, and hence is subject to GST).</p> <p>The amendment will take effect from 1 January 2020.</p> <p>For more information, you may refer to IRAS' draft e-Tax Guide on Digital Payment Tokens.</p>	
4	Changes to the Reporting of Proceedings and Decisions of Tax Cases by the High Court and Court of Appeal (“the Courts”)	To align with the principle of open justice and in keeping with international trends in Canada, Hong Kong, New Zealand and the United Kingdom, it is proposed that tax proceedings in the Courts will no longer be heard in private by default. The redaction of taxpayers’ names in published decisions of such judicial proceedings will also be discontinued. The proposed amendment will place tax proceedings in the Courts in the same position as other judicial proceedings where private hearings and confidentiality orders may still be granted at the discretion of the Courts.	11

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		<p>Similar changes will be incorporated in the Income Tax (Amendment) Bill 2019, in relation to proceedings in the Courts under the Income Tax Act.</p> <p>For the avoidance of doubt, there will be no change to the confidentiality practices at the first instance boards of review, that is – the Income Tax Board of Review and the GST Board of Review (“the Boards”) – which will continue to have proceedings heard in private by default, with redaction of taxpayers’ names in the Boards’ published decisions.</p> <p>The amendment will take effect from 1 January 2020.</p>	
5	Introduce definitions of “accountant” and “advocate and solicitor” for the purposes of appeals to the GST Board of Review (“GSTBR”)	<p>The proposed amendment introduces definitions of “accountant” and “advocate and solicitor” for the purposes of appeals to the GSTBR, such that only —</p> <p>(a) a “public accountant” within the meaning of the Accountants Act; or</p> <p>(b) an “advocate and solicitor” within the meaning of the Legal Profession Act,</p>	2

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		<p>— is allowed to represent a taxpayer before the GSTBR.</p> <p>This amendment safeguards the interests of taxpayers who lodge appeals to the GSTBR, by ensuring that the representatives handling their appeals meet certain professional qualifications. These definitions are also consistent with those currently used in the Income Tax Act for the purposes of appeals heard before the Income Tax Board of Review.</p> <p>The amendment will take effect from 1 January 2020.</p>	