GST: Overseas Vendor Registration Regime for the taxation of cross-border services and low-value goods

A Consultation Document
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Section 1: Introduction

Overview

1.1 This consultation document considers the application of Goods and Services Tax (‘GST’) on imports of digital services and low-value goods for business-to-consumer (‘B2C’) transactions. It proposes the implementation of a simplified overseas vendor registration regime, under which overseas suppliers providing digital services and low-value goods to customers in Singapore are required to register and account for GST on these supplies.

1.2 The consultation document sets out the proposed scope and features of the simplified overseas vendor registration regime, and seeks feedback on the proposed regime for the taxation of imported services and low-value goods.

Background

1.3 The advent of technology has fuelled the growth of e-commerce by increasing the capability of businesses to sell to consumers across the globe without the need for a shop-front in the respective countries. Consumers may now purchase goods and services from overseas suppliers directly or through intermediaries such as electronic marketplace.

1.4 GST is a tax on local consumption. Hence, GST ought to be levied on all supplies of goods and services consumed in Singapore, whether they are procured locally or from overseas. However, imported services currently are not subject to GST, and low-value goods falling within the GST import relief threshold of $400 if imported via air or post are also not subject to GST.

1.5 The non-taxation of imported services and low-value goods result in an uneven playing field between GST-registered local businesses and foreign based ones. Therefore, as announced in Budget 2017, Singapore is studying how we can adjust our GST system to level the playing field, taking reference from the experiences in other countries.

1.6 When GST was first introduced in 1994, e-commerce was either non-existent or at the nascent stage. It is timely now to reconsider the GST treatment of imported services and low-value goods in the light of:

• rapid growth in the volume of cross-border transactions since the introduction of GST;

• uneven playing field between domestic and overseas suppliers from the differing GST treatment on identical supplies of services and goods; and
increased calls for international co-ordination efforts in aligning the GST treatment of cross-border services and intangibles with international practice and other tax administrations.

**Consultation objectives**

1.7 The objectives of the consultation are:

- To seek feedback on the proposed overseas vendor registration regime for taxing cross-border digital services and imports of low-value goods; and
- To seek feedback on ways to ensure efficient GST collection on imported services and low-value goods without imposing significant compliance and administrative costs on businesses.

**Summary of Proposals**

- A simplified overseas vendor registration regime is proposed to tax B2C supplies of imported digital services and low-value goods. Under the simplified registration regime, overseas suppliers making supplies of digital services and low-value goods to customers in Singapore exceeding $1 million are required to register, charge and account for GST.

- An intermediary, such as an electronic marketplace or a parcel forwarding company, may be regarded as the supplier of the goods and services under certain conditions. In such a case, the intermediary will be required to register and account for GST on the supplies instead of the underlying suppliers.

- The overseas suppliers may use certain proxies, such as the customer’s IP address and credit card information, to determine the belonging status of their customers.

- As the overseas supplier is required to charge and account for GST only on B2C supplies, he needs to identify whether the customer is GST-registered or not. So unless the customer provides his GST registration number, the overseas supplier must charge and account for GST.

- Where GST is wrongly charged by the overseas suppliers to GST-registered customers, the customers should contact the suppliers for a refund, instead of making an input tax claim on the GST charged.

- As overseas suppliers are not likely to incur expenses in Singapore, a “pay only” registration regime is proposed. Under the “pay only” registration regime, the overseas suppliers will account for output tax on their supplies but not claim any input tax.
Submissions

1.8 We invite responses to the proposals in this consultation paper. You may submit in writing via email to:

WONG_Sze_Teen@iras.gov.sg and

LEONG_Shi_Wei@iras.gov.sg

Please put “Overseas Vendor Registration Scheme on Taxation of Digital Services” in the subject line.

1.9 Submissions should be made by 15 June 2017 and in the format shown in Annex.
Section 2: GST on cross-border services and low-value goods

Current GST treatment

Imported services

2.1 Currently, GST is imposed on supplies of goods and services made in Singapore as well as imported goods. Whether GST is chargeable by the supplier of services depends on his belonging status. A supply of services is subject to GST if it is made by a supplier that belongs in Singapore. Conversely, a supply of services falls outside the scope of GST if the supplier belongs outside Singapore.

2.2 This means that if the services are procured from a local GST-registered supplier, GST is applicable, whereas the same supply of services if procured from an overseas supplier would not be subject to GST. It follows that a consumer in Singapore procuring digital services over an online platform from an overseas supplier would not be charged GST. But he will be charged with GST if he procures similar services from a local GST-registered supplier. Scenario 2A provides further illustration on the difference in GST treatment between locally sourced services and imported services.

Scenario 2A

Mr Tan subscribes to cable TV services from a local service provider. As the service provider is GST-registered, he is charged GST on the subscription fee. He decides to switch to another service provider, which offers the same TV channels but is based overseas. As the overseas service provider is not GST-registered in Singapore, Mr Tan will not be charged GST on the subscription fee.

Imported goods

2.3 Generally, goods that are imported into Singapore are subject to GST. The amount of GST payable is computed based on the CIF value (cost, insurance and freight) of the goods plus all duties payable. In theory, GST should be levied on all imported goods, as these goods are likely to be consumed locally in Singapore.

2.4 However, GST is not levied on imported goods that fall under the import relief amount of $400, if the goods are imported via air or post (hereinafter referred

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1 The supplier of services is treated as belonging in Singapore (“domestic supplier”) if it has a business or fixed establishment (“BE” or “FE”) in Singapore, or if it has establishments both in and outside Singapore, the establishment in Singapore is the one most directly concerned with making the supply.
to as the “low-value goods”). This threshold was introduced to avert compliance difficulties of collecting tax on voluminous low value imports.

2.5 The consequence is that for the same supply of low-value goods, GST would be chargeable if the goods were purchased from a local GST-registered supplier, but not if the goods were purchased from an overseas supplier and imported via air or post. Scenario 2B illustrates the differing GST treatment between locally purchased and imported low-value goods.

**Scenario 2B**

Rachel orders a few books from an overseas supplier through an online platform. As the total value of the books is less than $400, she does not need to pay GST on the import. In contrast, if she buys the books from a local book store and the book store is GST-registered, she will be charged with GST on the purchase.

**Issues of non-taxation of Cross-Border services and low-value imports**

**Results in uneven playing field**

2.6 Online shopping is becoming prevalent in many countries, including Singapore. Consumers may choose to procure similar goods or services online rather than from a physical store for various reasons such as price, convenience or breadth of choices. The absence of GST on imported services and low-value goods may make it more attractive for consumers to buy from overseas.

2.7 As shown in scenarios 2A and 2B, Mr Tan and Rachel are not charged GST on their purchases from overseas, but will have to pay GST if they purchase locally. This results in an uneven playing field between local GST-registered businesses and the overseas ones.

2.8 The absence of GST on imports affect both the local the traditional brick and mortar businesses as well as the e-commerce businesses alike.

**Impact on tax neutrality**

2.9 The neutrality principle suggests that business decisions should be motivated by economic rather than tax considerations, and taxpayers in similar situations carrying out similar transactions, should be subject to similar levels of taxation.

2.10 Not taxing imported services and goods impacts on neutrality, as the different GST treatments for the same services or goods put local businesses at a disadvantage.
Inconsistency with international practice

2.11 Not taxing imported services is not in line with international practice. Most other countries levy VAT/GST on imported services. The OECD’s “International VAT/GST Guidelines” (hereafter referred to as the “Guidelines”) proposes a consistent treatment of cross-border services. The consensus amongst most countries is to adopt the destination principle i.e. GST should be levied in the jurisdiction of imports where consumption occurs.

2.12 As Singapore has one of the highest import relief amounts compared to other countries, a relatively higher proportion of imports in Singapore are not subject to GST.

Questions for Feedback

1. Do you agree that the non-taxation of cross-border services and low-value goods results in uneven playing field for the local businesses?

2. Do you agree that the non-taxation of cross-border services and low-value goods impacts on the neutrality principle?

3. Do you agree that such cross-border supplies should be taxed?

Please explain or substantiate your responses.
Section 3: Cross-border services and intangibles

A new place of supply rule for cross-border services and intangibles

3.1 The underlying premise for the current place of supply rules for supplies of services is that services are normally consumed where the suppliers belong. This may be true in the traditional economy where the supplier and the recipient of the services are usually located in the same country. Not so in the digital economy as the supplier from another country may now provide services remotely to the customer. The current place of supply rule for supplies of services is therefore not sufficiently robust in the digital economy where the supplier could be located in a different country from the customer.

3.2 Applying the destination principle, the jurisdiction that taxes digital transactions should be the one in which consumption takes place. It is generally accepted that this would be where the customers are located. OECD in its Guidelines too advocates that the jurisdiction in which the customer is located or has its usual place of residence has taxing rights over cross-border supplies of services and intangibles.

3.3 In the Guidelines, OECD has considered the pros and cons of various GST collection mechanisms for cross-border services and intangibles before concluding that the optimal collection mechanism for business-to-business ("B2B") transactions is by way of reverse charge, whilst that for B2C transactions would be via a simplified registration regime for foreign vendors.

3.4 Traditionally, the GST-registered suppliers are responsible for the correct charging, collection and accounting of GST on the supplies they make. Similarly, an overseas supplier making supplies of cross-border services to local customers ought to register and account for GST in the country of taxation.

3.5 However, such a proposal contains certain challenges. For example, difficulties of overseas vendors in complying with the GST regime unfamiliar to them. The country of GST registration would also encounter challenges in enforcing the tax.

3.6 To address these challenges, the OECD Guidelines recommend introducing a simplified registration regime that facilitate compliances by the foreign vendors. To enhance the enforcement capabilities of tax administrations, OECD advocates international cooperation in tax administrations such as the exchange of information.

3.7 Many countries have since adopted the foreign vendor registration regime to tax B2C imported services. These include Japan, South Korea, New Zealand, member states of the European Union ("EU"), Switzerland, Norway and South

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2 The proposal to introduce reverse charge to tax cross-border services and intangibles in B2B context would be a subject matter of a separate consultation.
Africa. Based on other countries’ experiences, the foreign vendor registration scheme is the most effective and efficient approach for GST collection on B2C supplies.

3.8 This document therefore proposes the introduction of a simplified registration regime for overseas vendors making cross-border services and intangibles to consumers in Singapore. The features of the simplified registration regime will be discussed in greater detail in Sections 5 to 7.

**Scope of services**

3.9 This document proposes to adopt a broad approach that applies the simplified registration regime to all supplies of services.

3.10 Digital services refer to services that are delivered over the internet, which typically include downloading of digital purchases (e.g. downloading of apps, e-books, movies, games and music), subscription based supplies of contents (e.g. news, streaming of music, movies, TV programmes, and online gaming), supplies of software (e.g. anti-virus software, Microsoft Office and Adobe Photoshop), and licensing of content (e.g. access to specialised online databases, software and cloud services).

3.11 The advantages of a broad approach are: First, it reduces the need to revise the rules whenever new types of services emerge, considering the fast evolving digital economy. Second, it ensures a greater consistency in the tax treatment of similar types of services, thereby levelling the playing field between the local registered suppliers and the foreign ones and advancing the neutrality principle.

3.12 While a targeted approach of defining specific types of digital services to come within the scope of simplified registration is possible, it is likely to lead to definitional issues and potential disputes. This can worsen as the digital economy evolves. Another downside of the targeted approach is that it will not remove existing market distortions to the extent that a broad approach can.

3.13 Since digital services are most likely procured from overseas for local domestic consumption, this document proposes that the scope of the proposed simplified registration regime covers digital services. This will ensure effective GST collection on B2C cross-border services in sectors where the competitive distortion between local GST-registered suppliers and foreign ones is more pronounced.

**Considerations for limiting to B2C supplies only**

3.14 This document proposes that the simplified registration regime applies to only B2C transactions. This is the case for most other countries that have adopted the simplified registration regime for overseas vendors.

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3 Generally, B2C supplies refer to supplies made by a business to a customer who is not registered for VAT or GST.
3.15 The proposal also helps to avert potential fraud. For instance, a business customer may claim input tax purportedly charged by the overseas supplier which did not collect nor account for the output tax in the first place.

3.16 Limiting the registration regime to B2C transactions does not mean that cross-border supplies to businesses go untaxed. GST-registered businesses that fall within the scope of the proposed reverse charge regime would be required to self-account for GST on the cross-border supplies. It is also intended that any cross-border supplies made to non-registered businesses will come within the scope of B2C transactions, and accordingly be subject to GST under the proposed registration regime.

3.17 In summary, it is proposed that the overseas vendor registration regime applies only to cross-border supplies of digital services by overseas suppliers to local customers for B2C transactions.

Questions for Feedback

1. Do you agree that the proposed overseas vendor registration regime should only cover digital services? Do you foresee any problem with such an approach?

2. Do you agree also to tax only B2C supplies?

   Please explain or substantiate your responses.
Section 4: Low-value goods

Introduction

4.1 The de minimis threshold is put in place to avoid compliance costs in relation to collecting GST on high volumes of low value imports. Singapore’s current de minimis threshold at $400 is one of the highest in the world. The non-taxation of low-value goods in a growing digital economy gives rise to competitive distortions.

4.2 This section considers the possible approaches for a more efficient collection of GST on the imports of low-value goods and proposes introducing a simplified registration regime for overseas vendors to tax such low-value goods.

GST collection mechanisms for low-value goods

4.3 As part of the Base Erosion and Profit Shifting (“BEPS”) project, the OECD Task Force for Digital Economy recognized the GST challenges relating to imports of low-value goods in the digital economy. Four broad collection models for low-value goods were discussed in the report, “The Collection of VAT/GST on Imports of Low Value Goods”, which was included in the Final Report on BEPS Action 1 on “Addressing the Tax Challenges of the Digital Economy”. The four models are:

a) The Traditional Collection Model

Under this model, Customs will determine the GST payable on the imported goods based on the import declaration. The tax has to be paid before goods can be released to the consignee or importer of the goods. The consignee or importer of record is generally liable to pay GST on the imports to Customs. This model is not easily adapted to the e-commerce environment if it is based on manual processing and paper declaration of imports. Efficiency in GST collection may be achieved through electronic processing of imports and the advance payment of tax. While this may be common practice in the express carriers sector, it is not so in the postal environment.

b) The Purchaser Collection Model

The purchaser of low-value goods is required to self-assess and pay GST on its imports to Customs either before or at the point of importation, or periodically through a reporting mechanism such as the GST returns. This model is based on voluntary self-compliance and requires accurate reporting by the purchasers, which may be difficult to achieve given that enforcement is impractical.
c) The Vendor Collection Model

Under this model, the overseas suppliers are required to be GST-registered in the destination country of the imported goods, and have to collect and account for GST on these goods in their GST returns. Appropriate synergies should be ensured between the various parties and intermediaries involved in the entire sales and delivery process to properly identify the person liable for GST reporting and accounting.

d) The Intermediary Collection Model

Alternatively, intermediaries (such as postal operators, air express companies, freight forwarders, commercial agents such as online payment providers or e-commerce platforms) can be made liable to collect and remit the GST on the imports of the low-value goods. Intermediaries such as postal operators, the air express companies or freight forwarders are likely to be more familiar with the local context, tax rules and procedures than the overseas suppliers as they handle the last leg of import into Singapore. If adopted in combination with the vendor collection model, clear indicators should be provided to determine when the intermediaries would assume the responsibility for collecting GST. To fulfil their obligations to collect and account for GST, intermediaries may need to make changes their systems and data collection process.

4.4 The OECD report discussed the pros and cons of each collection model without indicating which model as the superior one. It concludes that countries may adopt a combination of models that suit their policy and unique circumstances.

Processing of imported goods in Singapore

4.5 In the e-commerce environment, parcel goods may arrive in Singapore via land, sea, air or post. As there is no GST import relief for imports via land or sea, only low-value goods entering Singapore via air and post are currently not taxed. For parcel goods imported via air, the Air Express Companies (AECs) must apply for an import permit if the goods are subject to GST. This entails additional manpower costs for the AECs. If the importer is an individual, who is not likely to maintain a GIRO account with Singapore Customs, the GST payable on the goods will be deducted from the AECs’ GIRO account first. Thereafter, the AECs will recover the GST from the importers, and will typically charge a fee for processing the GST-payable goods. The AECs may face the risks of not able to collect the GST and fee from the importers.

4.6 The international postal environment is not yet digitised. Information on the imported goods is not transmitted electronically, but presented in a paper declaration affixed to the exterior of the postal article. As a consequence, the Immigration & Checkpoint Authority (“ICA”), SC and Singapore Post (“SingPost”), will not have access to the information on the goods until they arrive in Singapore. All international mails are required to carry a CN22 or CN23 customs declaration or their equivalents. However, the written information on
the labels is of variable quality and may be presented in different languages and with values in different currencies.

4.7 The processing of the postal articles is carried out manually. Parcels are subject to manual inspection to identify those that are subject to GST based on the information provided in the customs declaration. The downstream processes for GST collection are also manual.

4.8 The direct way to reduce the competitive distortion arising from the non-taxation of low-value goods is to lower the import relief threshold. However, this is not practical given the current state of international postal environment. Agencies or entities who may have to recover fees from the importers are also confronted with the risks of not being able to do so.

4.9 The purchaser collection method is not feasible either, as it is not practical to enforce collection directly on individual consumers. The vendor collection method is therefore the most feasible.

**Extending the proposed simplified registration regime to imported low-value goods**

4.10 The vendor collection model avoids the costs associated with lowering of the import relief threshold, while seeking to tax imported low-value goods at the same time. The existing customs procedures may continue so that GST continues to be collected on imports above the relief amount. The overseas supplier should only be required to account for GST on goods that fall under the import relief amount.

4.11 To minimise the compliance costs for the overseas suppliers, a simplified registration and compliance regime similar to that for cross-border inbound services may be considered. Therefore, the proposed simplified overseas vendor registration regime covers both digital services in B2C transactions and also the imports of low-value goods (i.e. goods imported via air or post that fall within the import relief threshold).

4.12 Australia will be the first country to introduce this with effect from 1 July 2017, while the EU has announced doing the same in 2021. Unlike these countries with more than one GST rate, the system will be easier to implement in Singapore.

4.13 Similar to the proposed simplified registration regime for cross-border inbound services, the proposed registration regime would only apply to B2C cross-border supplies of low-value goods. These would include individual consumers and non-registered businesses.

4.14 For registered businesses, they would have to self-account for GST on low-value goods under the proposed reverse charge regime, just like the way they are required to do so for cross-border inbound services.
4.15 In scenarios where an intermediary is in a better position to collect GST, the intermediary would be regarded as the supplier and would be liable to register and account for GST. This will be discussed in greater detail in Section 5.

Questions for Feedback

1. Do you agree that the proposed overseas vendor registration regime would be an appropriate approach to collect GST on low value goods? If not, what other collection mechanisms would you propose?

Please explain or substantiate your responses.
Section 5: Registration requirement

5.1 This section discusses the GST registration threshold for the proposed simplified overseas vendor registration regime, as well as situations where electronic marketplaces and parcel forwarding companies may be required to register for GST instead of the principal supplier.

Registration threshold

5.2 Currently, businesses are required to register for GST in Singapore if their taxable turnover exceeds or is expected to exceed $1 million in a 12-month period. They are also able to voluntarily register even if their taxable turnover is $1 million or less. The policy intent of setting a high GST registration threshold is to reduce the compliance costs for small businesses.

5.3 Likewise, so as not to unduly impact small overseas businesses and also to minimise tax administration costs in bringing overseas suppliers into the tax net, a registration threshold is proposed for the simplified overseas vendor registration regime.

5.4 For consistency with our domestic GST registration threshold, and to provide a level playing field between local and overseas suppliers, it is proposed to set the GST registration threshold for the simplified overseas vendor registration regime similarly at $1 million. The registration threshold would be based on the value of cross-border supplies of digital services and low-value goods made by the overseas vendor to Singapore.

5.5 Consequently, the document also proposes that overseas vendors may not voluntarily register for GST as this is intended to be a simplified registration regime.

Electronic marketplaces

5.6 To reach a wider network of customers, some overseas suppliers choose to market and sell their services or low-value goods through an intermediary such as an electronic marketplace. Examples include a mobile application store which sells mobile applications on behalf of an application developer, or an e-commerce platform operating a web-store selling goods belonging to different vendors. It is proposed to treat the operator of the electronic marketplace as the supplier and to require the operator to register for GST. The operator of the electronic marketplace would be liable for registration if the aggregate sales on its platform consisting of digital services and low-value goods to Singapore exceed $1 million a year.

5.7 An overseas operator of an electronic marketplace will be regarded as the supplier, if any of the following conditions is met:
• The electronic marketplace authorises the charge to the recipient or the
delivery of the supply, or set the terms and conditions under which the
supply is made;

• The documentation provided to the recipient identifies the supply as made
by the marketplace and not the underlying supplier; or

• The underlying supplier and the operator of the marketplace have agreed
that the marketplace is liable for GST.

5.8 However, the underlying overseas suppliers may still be liable for GST
registration under the proposed simplified registration regime, if they supply
digital services or low-value goods directly to customers in Singapore, other
than selling through the electronic marketplace, and the value of the direct sales
exceeds the registration threshold of $1 million. Nonetheless, GST on the sales
made through the electronic marketplace should be accounted for by the
electronic marketplace and not the underlying overseas suppliers.

**Local underlying suppliers**

5.9 If any underlying suppliers are local and GST-registered in Singapore, the GST
on their sales made through the electronic marketplace should be accounted
for by the electronic marketplace, since the electronic marketplace is deemed
to be the supplier of all sales taking place on their platform. As a result, the
underlying suppliers would not be able to claim the input tax incurred for the
supplies made through the electronic marketplace. To ensure that the local
GST registered suppliers will be no worse off, we will allow them to continue to
be eligible for input tax claims in respect of the taxable sales made through the
electronic marketplace.

5.10 For local suppliers who are not GST-registered and sell through the electronic
marketplace, their sales too would be deemed to be made by the electronic
marketplace, and accordingly GST on their sales would be accounted for by the
electronic marketplace. However, as they are not GST-registered, the local
suppliers would not be entitled to input tax claims in respect of the sales made
through the electronic marketplace.

**Overseas underlying suppliers with goods in Singapore**

5.11 There could be instances where the overseas underlying suppliers import and
store their goods in Singapore for faster delivery to customers in Singapore and
in the region. Currently, these overseas suppliers would have imported and
supplied their goods via an arrangement pursuant to section 33(2) of the GST
Act. Under section 33(2), the overseas supplier would appoint a local agent (i.e.
known as the section 33(2) agent) to import and supply the goods on his behalf.
As the section 33(2) agent is deemed as the principal importer and supplier of
the goods, he will be allowed to claim the GST paid on the importation of the
goods, and at the same time required to account for GST on any subsequent supply of the goods.

5.12 Under the proposed simplified registration regime, the GST on the sales made through an electronic marketplace by such overseas underlying suppliers would be accounted for by the electronic marketplace. To prevent double accounting of GST, the section 33(2) agent acting on behalf of the overseas underlying suppliers would not be required to account for GST on their sales made through the electronic marketplace. The section 33(2) agent however would continue to be allowed to claim the GST paid on the importation of these goods as his input tax.

Parcel forwarding companies

5.13 The growing popularity of e-commerce has led to the emergence of forwarding services provided by parcel forwarding companies. These parcel forwarding companies typically offer “ship for me” and “buy for me” services to customers, who wish to procure particular goods from overseas vendors that do not ship to Singapore.

5.14 Under “ship for me” services, the parcel forwarding companies would assist customers to ship their purchases from overseas to Singapore by providing an overseas forwarding address (e.g. in US, UK, China). When placing order for the goods, the customers would instruct the overseas vendors to deliver the goods to the overseas forwarding address, typically at an overseas warehouse. When the goods arrive at the overseas warehouse, the parcel forwarding companies would then arrange to ship the goods to Singapore. Some parcel forwarding companies also allow customers to consolidate or repack their purchases before shipping them to Singapore.

5.15 For customers who do not wish to order from the overseas vendors, they may engage the parcel forwarding companies for “buy for me” services. The parcel forwarding companies would place the order for the goods from the overseas vendors on behalf of the customers and then arrange for the shipment of the goods from overseas to Singapore.

5.16 In these cases, the overseas vendors and electronic marketplace would not know that the goods are destined for Singapore and so it will not be possible for them to be responsible for GST. On the other hand, the parcel forwarding companies would have shipment details of the goods and would be the point of interface with the customer.

5.17 Therefore, it is proposed that the parcel forwarding companies be regarded as the suppliers of the low-value goods under the “ship for me” or “buy for me” services. Accordingly, where the parcel forwarding companies are overseas, they would be liable for GST registration under the proposed simplified registration regime, if the value of low-value goods they import into Singapore on behalf of their customers exceeds $1 million per annum. If the parcel forwarding companies are local and already GST-registered in Singapore, they
would be required to account for GST on the low-value goods they import on behalf of their customers, since they would be deemed as the suppliers of the goods.

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<th>Questions for Feedback</th>
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<tbody>
<tr>
<td>1. Do you agree that a registration threshold of $1m for overseas vendors is appropriate?</td>
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<tr>
<td>2. Do you agree that electronic marketplaces be required to register in certain situations instead of the overseas vendors?</td>
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<td>3. What factors do you consider are important when determining when an electronic marketplace should be required to register?</td>
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<tr>
<td>4. Are the overseas suppliers able to identify goods that are delivered to Singapore if they are delivered through a parcel forwarding company?</td>
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<tr>
<td>5. Do you foresee any issue in requiring parcel forwarding companies to register and collect GST on the low-value goods?</td>
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Please explain or substantiate your responses.
Section 6: Information gathering and compliance issues

6.1 This section discusses other key features and practical applications of the proposed simplified overseas vendor registration regime, specifically:

- Factors that determine whether the customers are in Singapore;
- Factors that differentiate between B2C and B2B transactions; and
- Recourse to customers who incorrectly represent themselves to be non GST-registered and are wrongly charged GST under the registration regime.

Identification of customers in Singapore

6.2 Assuming that the proposed simplified overseas vendor registration regime only applies to B2C transactions, the overseas suppliers would be required to establish whether:

a) For supplies of digital services:
   - the customer belongs in Singapore; and
   - is GST-registered;

b) For supplies of low-value goods:
   - the goods are imported into Singapore; and
   - the customer is GST-registered.

Whether the customer belongs in Singapore

6.3 To ensure consistency with current GST legislations, it is proposed that the existing belonging status guidelines be applied to determine whether the customer belongs in Singapore:

- For a corporate entity, the customer is treated as belonging in Singapore if:
  (i) he has a business establishment ("BE") (i.e. an agency or a branch in Singapore) or fixed establishment ("FE") only in Singapore; or
  (ii) he has a BE or FE both in Singapore and outside Singapore and the services are most directly used or to be used by his establishment in Singapore; or
(iii) he does not have a BE or FE in any country but his usual place of residence (i.e. place of incorporation or place of legal constitution) is in Singapore.

- For an individual, the customer is treated as belonging in Singapore if his usual place of residence is in Singapore. The customer's “usual place of residence” is in Singapore if:
  
  (i) he resides in Singapore for a settled purpose, such as to pursue a course or study or due to employment; and
  
  (ii) his stay in Singapore has some degree of continuity, apart from temporary or occasional absence, such that it forms part of the regular and habitual pattern of his life.

Generally, the residential address of an individual may be regarded as his usual place of residence.

6.4 Given that digital services are transacted over the internet and overseas suppliers may not be able to properly verify the belonging status of their customers, we will accept proxy indicators to determine the belonging status of customers:

- The billing address of the customer;
- The home address of the customer;
- The Internet Protocol (IP) address of the device used by the customer;
- The customer’s bank details (notably country of the bank account);
- The customer’s credit card information;
- The location of the originating payment for the service; and
- The country or area code associated with the customer’s contact number.

6.5 Consistent with the practices in many countries that have implemented a foreign vendor registration regime, it is proposed that the overseas suppliers are required to have at least two non-conflicting pieces of evidence to determine where their customers belong. However, in gathering information on the belonging status of their customers, the overseas suppliers should be guided by the following principles:

- greater reliance should be placed on the indicators that are the least susceptible to errors; and

- reliance should not be placed on indicators, which provide less accurate outcomes, if better information can be relatively simply obtained.

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4 Similar proxies are recommended in the OECD’s Guidelines.
Whether goods are imported into Singapore

6.6 Generally, an import refers to overseas goods brought into customs territory. Under the proposed registration regime, a low-value good is regarded as imported into Singapore, if the goods are delivered from outside Singapore to the customer in Singapore. It is proposed that an overseas supplier may regard a supply of low-value goods as imported into Singapore, if the shipping address indicated by the customers shows a Singapore address and the goods are delivered to that Singapore address.

Whether the customer is GST-registered

6.7 Given the nature of digital services and low-value goods, overseas suppliers may presume that their supplies were made to individual customers who were not GST-registered.

6.8 Therefore, it is proposed that the default position should be that unless the customer provides his GST registration number to the overseas supplier, GST should be charged and accounted for. The onus is on the GST-registered customers to provide their GST registration number to the overseas suppliers as evidence that they are indeed GST-registered. Conversely, the registered customers should not provide their GST registration number to the overseas suppliers if they do not receive the supplies in their business capacity.

6.9 The overseas suppliers may rely on the GST registration number provided by their customers as proof of their customers’ GST registration. Accordingly, they would not be required to charge GST on these supplies. However, the overseas suppliers would be required to maintain information on the registration number of their customers for audit purposes.

Incorrect representations by customers

6.10 Where GST registered customers incorrectly represent themselves as non-registered and get charged with GST, they should contact the overseas suppliers for a refund. No input tax claim will be given by IRAS.

6.11 Correspondingly, the overseas suppliers would be able to adjust and reduce the output tax in their GST returns to take into account the GST that was collected and subsequently refunded. Consistent with current GST rules, it is proposed that the overseas suppliers issue a credit note (or an equivalent document) to the customers for the refund, and maintain proper record keeping of such transactions.
<table>
<thead>
<tr>
<th>Questions for Feedback</th>
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</thead>
<tbody>
<tr>
<td>1. What other proxies do you consider would be appropriate for use in order for</td>
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<tr>
<td>overseas suppliers to determine the belonging status of their customers?</td>
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<tr>
<td>2. What proxies are likely to be most accessible in practice?</td>
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<tr>
<td>3. How may overseas suppliers accurately determine the belonging status of their</td>
</tr>
<tr>
<td>customers and how much evidence should suppliers be required to obtain?</td>
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<tr>
<td>4. Do you agree with the proposed rules on maintaining at least two non-conflicting</td>
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<td>pieces of evidence for the purpose of establishing the belonging status of customers?</td>
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<tr>
<td>5. If B2B supplies are excluded from the overseas vendor registration regime, will</td>
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<td>overseas suppliers be able to easily distinguish between B2C and B2B transactions</td>
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<tr>
<td>using the proposed approach?</td>
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</tbody>
</table>

Please explain or substantiate your responses.
Section 7: Registration system and return filing

7.1 This section considers the appropriate registration regime and filing frequency for the overseas suppliers, who are required to be GST-registered, with a view of minimising compliance and administrative burden on the overseas suppliers.

**GST registration regime**

7.2 Under a normal registration regime, a GST-registered person is required to charge GST on his taxable supplies at the prevailing rate, and account for output tax on these supplies. Conversely, the registered person is able to claim input tax incurred on business purchases and expenses, subject to the normal input tax recovery conditions. The difference between the output tax and input tax is the net GST payable to or refundable by the tax authority.

7.3 Overseas vendors are less likely to incur GST input tax and so countries have generally adopted a “pay only” registration regime for overseas suppliers i.e. they collect GST on their supplies but will not make input GST claim. Consequently, the GST reporting may also be simplified to exclude reporting of purchases.

7.4 A pay-only GST registration system also eliminates the risks of GST refund fraud by overseas entities

**GST filing frequency**

7.5 A GST-registered person is required to file GST returns and account for GST at regular intervals. At present, the default filing frequency is quarterly (every 3 months), with an option for monthly filing that is usually catered to businesses on GST schemes.

7.6 For consistency with current GST practices, it is proposed that overseas suppliers are subject to quarterly filing of GST returns as well.

**Question for Feedback**

1. Do you foresee any issue with the proposed quarterly filing frequency?
   
   Please explain or substantiate your responses.
## Template for Submission of Feedback

<table>
<thead>
<tr>
<th>No.</th>
<th>Questions</th>
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<td><strong>Section 2</strong></td>
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<tr>
<td>1</td>
<td>Do you agree that the non-taxation of cross-border services and low-value goods results in uneven playing field for the local businesses?</td>
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<tr>
<td>2</td>
<td>Do you agree that the non-taxation of cross-border services and low-value goods impacts on the neutrality principle?</td>
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<tr>
<td>3</td>
<td>Do you agree that such cross-border supplies should be taxed?</td>
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<tr>
<td><strong>Section 3</strong></td>
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<tr>
<td>4</td>
<td>Do you agree that the proposed overseas vendor registration regime should only cover digital services? Do you foresee any problem with such an approach?</td>
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<tr>
<td>5</td>
<td>Do you agree also to tax only B2C supplies?</td>
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<tr>
<td><strong>Section 4</strong></td>
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<tr>
<td>6</td>
<td>Do you agree that the proposed overseas vendor registration regime would be an appropriate approach to collect GST on low value goods? If not, what other collection mechanisms would you propose?</td>
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<tr>
<td><strong>Section 5</strong></td>
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<td>7</td>
<td>Do you agree that a registration threshold of $1m for overseas vendors is appropriate?</td>
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<td>8</td>
<td>Do you agree that electronic marketplaces be required to register in certain situations instead of the overseas vendors?</td>
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<td>9</td>
<td>What factors do you consider are important when determining when an electronic marketplace should be required to register?</td>
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<td>10</td>
<td>Are the overseas suppliers able to identify goods that are delivered to Singapore if they are delivered through a parcel forwarding company?</td>
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<td>11</td>
<td>Do you foresee any issue in requiring parcel forwarding companies to register and collect GST on the low-value goods?</td>
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<tr>
<td><strong>Section 6</strong></td>
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<tr>
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<td><strong>Section 7</strong></td>
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<tr>
<td>17</td>
<td>Do you foresee any issue with the proposed quarterly filing frequency?</td>
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<td></td>
<td><strong>Others</strong></td>
<td></td>
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<td>18</td>
<td>Other than the questions above, what other comments do you have on any of the proposed features of the overseas vendor registration regime?</td>
<td></td>
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</tbody>
</table>

* Please explain or substantiate your responses