



GST News Perspective \Rightarrow everything

Greetings from your Indirect tax team at Deloitte Singapore. We are pleased to present to you details of recent updates in relation to GST:

GST treatment of fund management services

Further to our updates in March and April 2014, IRAS has now issued their revised GST e-tax guide for the fund management industry. The guide clarifies IRAS's final position on fund management services provided to funds (other than trust funds).

IRAS's position was that if a fund had no other permanent establishment (PE) and relied wholly on a Singapore Fund Manager [i.e. a prescribed fund manager in Singapore that holds a capital markets services licence under the Securities and Futures Act (Cap. 289) or someone who is exempted under the Act from holding such a licence] to administer the fund, the fund would be deemed to have a PE in Singapore through the Singapore Fund Manager

and so GST would need to be charged on the fund management fees. The implication of this was that the fund would not be able to recover any of the GST as it would not be registered or registerable for GST.

As we explained in our last update on this topic, IRAS has consulted further to clarify their position, which is now set out in the final version of the e-tax Guide. Their position is that:

- Prior to 1 April 2015, funds that belong in Singapore by virtue of their Singapore Fund Manager can take advantage of a concession so that GST need not be charged.
- On and after 1 April 2015, IRAS has confirmed that GST is not chargeable on services supplied by Singapore Fund Managers as follows:
 - (a) Services supplied to qualifying funds [i.e. funds that satisfy conditions of the Income Tax Concession under Sections 13CA or 13X of the Income Tax Act as at the last day of its preceding financial year] that are incorporated or registered outside Singapore and belong in Singapore only due to their whole reliance on a Singapore Fund Manager; and
 - (b) Services supplied to overseas fund managers that are incorporated or registered outside Singapore and belong in Singapore only due to their whole reliance on a Singapore Fund Manager, subject to the conditions that the services supplied to the overseas fund managers must be in relation to the services supplied or to be supplied by the overseas fund managers to a qualifying fund incorporated or registered outside Singapore and the qualifying fund belongs outside Singapore or belongs in Singapore only due to its whole reliance on a Singapore Fund Manager.

For clarity, whole reliance can be determined by reviewing the extent to which the Singapore Fund Manager carries on the business of the Fund, i.e. where the Singapore Fund Manager is the sole contracting fund manager for the fund and has the overall responsibility to oversee or carry out the activities of the fund. Where such activities do not amount to whole reliance, the services provided by the GST-registered Singapore Fund Managers as described above should be reported as zero-rated supplies in the GST returns of the Fund Manager.

What this means for you

The remission now granted by IRAS means that Singapore Fund Managers have certainty on their activities. In addition, there may be grounds to recover the GST charged on past fund management services provided to funds which were treated as having a fixed establishment in Singapore through the activities of the Singapore Fund Manager.

Further, Singapore Fund Managers may now have an option to apply for exemption from GST registration if they make wholly or substantially zero-rated supplies.

The clarification also confirms that qualifying funds can seek a remission of the GST they incur via a periodical Statement Of Claim, although we note that not all of the GST incurred is recoverable under this process.

How Deloitte can help

Deloitte can review your past business transactions to ascertain whether the appropriate GST treatment has been adopted and whether there is the possibility to recover any over-charged output tax paid to the IRAS previously. Deloitte can also help to analyse the activities of the Singapore Fund Manager to determine the appropriate GST treatment, any GST registration liability and whether there is a choice for you to apply for exemption from GST registration.

Contacts

Should you need any assistance on the above or other GST matters, please contact the below or your usual GST contact in Deloitte.

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