



## GST News

### Expanding perspectives and possibilities

#### Updated IRAS Frequently Asked Questions on Reverse Charge

Further to our [previous GST News alert](#), the Inland Revenue Authority of Singapore (IRAS) has updated the [Frequently Asked Questions \(FAQs\) on Reverse Charge \(RC\)](#).

The revised FAQs provides clarity on additional areas of RC. We have summarised the new additions below for your ease of reference.

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#### S/N Summary

**2.6** Investment holding companies that make only exempt supplies falling within Regulation 33 would still be required to register for GST if the value of the imported services received that are within the scope of RC exceeds S\$1 million in a year.

The reason provided is Regulation 33 is only applicable if the company makes taxable supplies. An investment holding company would not be entitled to full input tax credit if it were GST-registered.

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**2.7** Companies should determine the GST registration liability under the RC rules based on both "retrospective basis" and "prospective basis".

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**3.7** Services procured from an overseas individual that fall within the scope of taxable imported services are still subject to RC as the recipient in this case will be

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- regarded as having supplied the services in the course or furtherance of a business for that supply.
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- 3.8** Interest expenses paid to overseas persons in relation to loans provided by the overseas person will not be subject to RC as interest from the provision of credit falls within the description of exempt supplies under the Fourth Schedule to the GST Act.
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- 4.4** The value of imported services should **exclude** foreign stamp duty.
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- 4.5** The value of GST to be accounted under RC should be based on 7% of the consideration paid for the imported services. The example provided is where the payment to an overseas supplier is S\$100, the GST will be S\$7.
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- 8.1** The IRAS has taken the view that any arrangements that are carried out with tax avoidance as the main purpose and are not for bona fide commercial reasons may be seen as tax avoidance under Section 47 of the GST Act. The example provided is where a usual billing cycle is on a monthly basis but the recipient requests changes to the agreements to pay in advance for multiple billing periods ahead.
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### Deloitte Singapore's view

It is important for companies that are currently not registered for GST (and would not be entitled to full input tax credit even if GST-registered) to review payments made to overseas suppliers not only on a "prospective basis" but also on a "retrospective basis" as well. This would mean that the company should keep track of all payments made to overseas suppliers from 1 January 2019 to 31 December 2019 to determine whether the threshold for GST registration has been breached.

Companies should also be aware that any arrangement to accelerate any normal billing cycle might be viewed as tax avoidance by the IRAS. Therefore, companies should be aware when revising current contracts or negotiating new contracts with overseas suppliers that the billing cycle remains as per the normal business practice and the terms of the contract are not changed solely to take advantage of avoiding RC.

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### Contact

For more information on the above or any other GST/VAT matters, please contact either the listed contacts below, or any member of the [Singapore Tax & Legal team](#).

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