



Indirect Tax Alert

Ministry of Finance Public Consultation on the draft of Goods and Services Tax

Greetings from your Indirect Tax team at Deloitte Singapore. We hope that you and your loved ones are staying safe and healthy in these challenging times.

We are pleased to share with you on the latest Goods and Services Tax (GST) news.

Ministry of Finance Public Consultation on the draft GST amendment bill 2020

The Ministry of Finance (MOF) is conducting a [public consultation](#) from now until 7 August 2020, on the draft Goods and Services Tax (GST) Amendment Bill 2020. The draft includes a number of significant proposed amendments:

1. Introduces measures to counter Missing Trader Fraud. Examples of such measures include but not limited to:
 - Allow the Inland Revenue Authority of Singapore (IRAS) to deny input GST claims of a taxpayer, if the taxpayer knew or should have known that his purchase was part of or connected with an arrangement to cause loss of public revenue. Circumstances that could suggest that the supply made by the taxpayer or supply made to the taxpayer are

part of a such an arrangement include the following:

- The supplies in question are not within the nature of business ordinarily carried on by the taxpayer;
 - The value of supplies in question is substantially more than the value of assets of the business carried on by the taxpayer or the risk required to be borne by the taxpayer for the supply;
 - The reasonableness and commerciality of the supplies are questionable;
 - Consideration for the supply to the taxpayer are pre-determined or the profit is guaranteed;
 - The payment arrangement for the supplies does not accord with the usual business practice; or
 - The taxpayer has little or no knowledge or past dealing with the supplier and/or buyer.
- The taxpayer should take every reasonable step to confirm whether the supply is part of such an arrangement and if a reasonable person would have reached the same conclusion, then the IRAS can allow the input tax.
 - Introduce a surcharge of 10% to be applied on the amount of input GST denied due to purchase that was part of or connected to the fraudulent arrangement.
 - Exempt the IRAS from the requirement to refund input GST within three months from the receipt of information, if the underlying purchase is suspected to be part of or connected with a fraudulent arrangement.
 - Empower the IRAS to impose conditions for GST registration (including compulsory registration) and such conditions can be imposed any time (and not just at the point of GST registration).
2. Enhance the IRAS' powers to seize goods for investigation of tax offences.
 3. Enhance the GST rules to counteract tax avoidance arrangements (anti-avoidance rules), such as:
 - To extend GST avoidance arrangements to include arrangements that would result in earlier entitlement to input GST claims and unjustified bad debt relief claims;
 - To provide for a statutory time limit of five years which the IRAS may make a tax adjustment;
 - To require payment from the taxpayer of the additional GST from the adjustment within one month from the date a notice of adjustment is served; and
 - To remove the discretion for the IRAS to make adjustments to disregard or vary the arrangement once the IRAS is satisfied that an

arrangement is to avoid tax.

4. Introduce a surcharge for tax avoidance arrangements. The proposed surcharge would apply for adjustments made to the GST accounting periods starting from 1 January 2021.
5. Provide clarity to treatment of claims relating to overpaid or erroneously paid GST.
6. Mandate all refunds of GST by the IRAS to taxpayers via electronic mode.
7. Amend the secrecy provision to allow access to information necessary for the IRAS to administer public schemes.

Deloitte Singapore's views

It is clear that the IRAS is taking Missing Trader Fraud very seriously and the measures proposed will result in extra steps being needed from taxpayers to be able to support input tax claims.

The extra steps will require GST-registered businesses to review their current supplier onboarding processes and to enhance their current transaction review processes to ensure that they will not be deemed by the Comptroller that they fall within the ambit of the proposed amendments. For this purpose, part of our feedback to the IRAS will be to recommend that the IRAS provide clear guidance on what sort of enhanced due diligence processes they are expecting, to assist GST-registered businesses in their assessment of suppliers and input tax claims.

Contacts

Please submit your feedback using the provided [template](#) via email to pc_gstabill@mof.gov.sg by 7 August 2020.

Alternatively, you may email your feedback on the proposed amendments to any of the listed contacts below or your usual Deloitte contact, and it will be considered for inclusion in our overall submission to the IRAS.

Richard Mackender
Asia Pacific Leader
Deloitte Singapore

+65 6216 3270
rimackender@deloitte.com

Danny Koh
Tax Partner
Deloitte Singapore

+65 6216 3385
dakoh@deloitte.com

Robert Tsang*
Tax Partner
Deloitte Singapore

+9714 5064700



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