

Tax

MOF Consults on Five Proposed Amendments to GST Act

Introduction

On 13 June 2022, the Ministry of Finance ("**MOF**") commenced a [public consultation](#) on five proposed amendments set out in the [draft Goods and Services Tax \(GST\) \(Amendment\) Bill 2022](#) ("**draft Bill**"). The five amendments arise from:

1. Measures announced in the 2022 Budget Statement (covered here in our February 2022 Legal Update titled "[Forward, Together: Singapore Budget 2022](#)"), covering:
 - a. The two hikes in GST rates on 1 January 2023 and 1 January 2024;
 - b. The GST treatment of travel arranging services; and
2. A periodic review of Singapore's GST regime to improve GST administration and the clarity of existing legislation.

The consultation will run from 13 June 2022 to **4 July 2022**. A summary of the main comments received and MOF's responses to the same will be published in August 2022.

In this Update, we elaborate on the amendments below.

GST Measures in Budget 2022

1. **Hike in GST rates**
 - a. Due to the COVID-19 pandemic, the anticipated hike in GST rates from the current 7% to 9% has been delayed. As announced in Budget 2022, GST rates will now increase from 7% to 8% on 1 January 2023, and from 8% to 9% on 1 January 2024.
2. **Adoption of "place of belonging rule" for GST treatment of travel arranging services**
 - a. At present, services comprising the arranging of international transport of passengers and related insurance are zero-rated. Services comprising the arranging or facilitation of accommodation bookings are zero-rated if the property is located outside Singapore.
 - b. To better reflect the place of consumption of travel arranging services, the proposed amendment will base the GST treatment of such services on the place of belonging of the contractual customer and direct beneficiary of the supply, known as the "**place of belonging rule**".

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- c. Consequently, these services will only qualify for zero-rating if the services are contractually supplied to a person who belongs outside Singapore, and directly benefits persons who either belong outside Singapore or are GST-registered in Singapore.
- d. If passed, the above will take effect from 1 January 2023.

Periodic Review of GST Regime

1. **Updating and clarifying GST transitional rules for a GST treatment or rate change to provide tax certainty in the application of GST rules**
 - a. The proposed amendments comprise: (i) changes to transitional rules (including those applicable to the Reverse Charge ("RC") and Overseas Vendor Registration ("OVR") regimes; and (ii) clarification that the transitional rules do not override the Time of Supply Rules when a business becomes GST (de)registered.
 - b. If passed, the above will take effect from the date the draft Bill is gazetted.
2. **Refining rules for taxing imported low-value goods ("LVG") and imported services by way of the OVR and RC regimes**
 - a. Pay-only OVR Vendors may elect not to charge GST on the supply of remote services to the extent that the supply has been taxed in Singapore.
 - b. Where a supply is both an LVG supply and a supply made in Singapore, it will be treated as the latter.
 - c. Supplies of LVG and remote services that have already been taxed would be included for the purpose of determining the GST registration liability of RC businesses.
 - d. If passed, the above will take effect from 1 January 2023.
3. **Improved measures to counter Missing Trader Fraud ("MTF")**
 - a. MTF is a syndicate fraud scheme where a seller absconds without paying the GST charged on his sales to the Inland Revenue Authority of Singapore ("IRAS"), while businesses along the supply chain continue to claim GST refunds from IRAS.
 - b. To deter this, MOF proposes imposing criminal sanctions in two tiers:
 - i. **Tier 1:** for more culpable persons such as masterminds and co-conspirators who devise and/or direct the fraud scheme, as well as syndicate members who

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knowingly participate in a fraudulent scheme. Sanctions comprise a maximum of 10 years' imprisonment and/or a maximum fine of S\$500,000.

- ii. **Tier 2:** for persons who are a current or former sole proprietor, partner, or director of a business entity used in a MTF scheme. Sanctions comprise a maximum of 1 year's imprisonment and/or a maximum fine of S\$50,000.
- c. If passed, the above will take effect from 1 January 2023.

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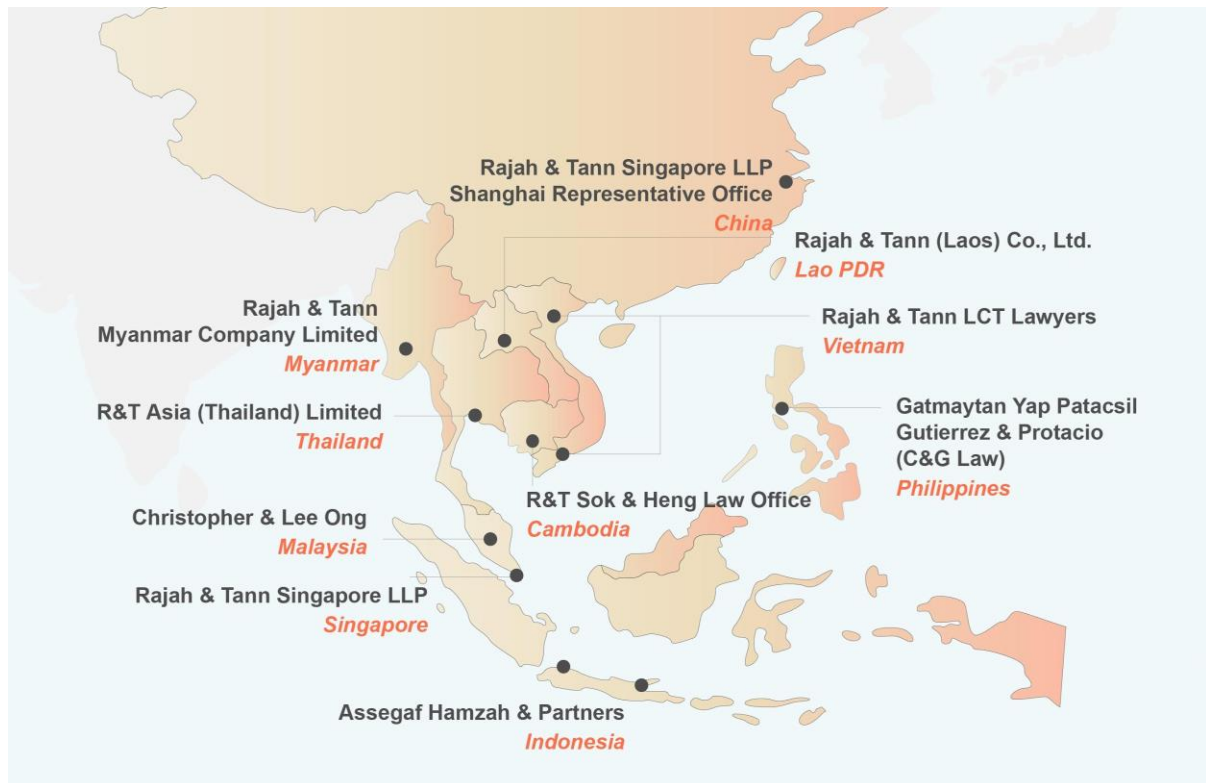
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