

# Tax alert

Issue 19 | November 2022

## Updates on overseas vendor registration and GST rates

In this issue, we discuss the new Overseas Vendor Registration (OVR) regime, which kicks in on 1 January 2023, and salient transitional rules arising from the impending goods and services tax (GST) hike from 7% to 8% which will take effect on 1 January 2023. We also share updates on the removal of zero-rating on travel arranging services rendered to local persons from 1 January 2023.

### OVR for low-value goods and remote services

In a [previous issue](#), we discussed the new regime which requires overseas vendors to register for GST if they sell low-value goods of no more than \$400 to Singapore consumers (including non-GST-registered businesses). Application for GST registration kicks in when the value of these sales exceeds an annual or 12-month threshold and requires vendors to collect the tax on behalf of the Inland Revenue Authority of Singapore (IRAS). The regime will take effect on 1 January 2023.

GST payable on overseas digital services, introduced on 1 January 2020 under the OVR regime, will be extended to remote services on the same date. For instance, overseas companies supplying management or general support services to related non-GST-registered companies in Singapore will be liable for OVR if they exceed the applicable thresholds. This extension

casts a wider net, applying to all businesses that deal with consumers – both individuals and non-GST-registered persons – and includes banks, advisors and brokers.

With this amendment, all Singapore GST-registered branches/head offices with overseas branches/head offices that supply remote services to Singapore consumers via their overseas establishments will be subject to an 8% GST come 1 January 2023, regardless of whether they exceed the registration threshold. This is because the head office and branch are considered one legal entity.

In view of this, the remote supply of taxable services by overseas establishments to Singapore consumers will be subject to standard-rate GST. Output GST should be reported in the GST returns of the Singapore branch/head office. Overseas establishments that prefer to

report their supplies and output GST separately may do so under divisional registration.

### Impact on Singapore individuals/non-GST-registered entities

If you are an individual or a non-GST-registered business such as a fund, all imported remote services will cost 8% more next year. Qualifying funds that currently claim a significant percentage of input GST incurred under the GST remission will see the remission extend to GST payments to overseas vendors.



## Transitional rules on GST rate increase

In a past [tax alert issue published in June](#), we discussed transitional rules arising from the GST rate increase, including details from an IRAS e-Tax Guide, titled *2023 GST Rate Change: A Guide for GST-registered Businesses*.

With less than six weeks from implementation, affected individuals and businesses should take note of salient points and the following considerations:

- Price display if you deal with consumers
- The need to issue credit notes and reissue tax invoices if you have issued tax invoices at 7% on all sales of goods and services till 31 December 2022 but have yet to receive payment in full or fulfil the delivery of goods or services
- Consideration for election if you issue tax invoices from 1 January 2023 for goods or services that are delivered or performed fully or partially prior to this and, if so, how you will determine the value that should be invoiced at 7% and 8%
- The need to adjust after 1 January 2023 for businesses that apply reverse charge for posting done prior to 1 January 2023 but no payment has been made or no services fully performed prior to the rate change

- The need to consider electing 7% GST for invoices received from overseas vendors after 1 January 2023 that relate to services partially/fully performed by overseas vendors before this date and posted on or after 1 January 2023 for businesses subject to a reverse charge

## Removal of zero-rating for travel arranging services

Currently, travel agents and insurance companies providing the following services enjoy zero-rating on these services provided to customers belonging in Singapore:

- Arranging of insurance
- Arranging of international transport and overseas accommodation

With effect from 1 January 2023, these services will no longer be zero-rated. Those who fall under these categories should charge 8% GST on the abovementioned services.

## Our comments

OVR is a brand-new regime. If you are an overseas entity, such as a bank with Singapore clients (defined as individuals or non-GST-registered businesses), you may be required to register under this regime. Some services you render may fall within scope, requiring you to identify clients considered as

as “consumers” belonging in Singapore and thus subject to 8% GST. You should also be aware of the documents required to support the accounting of your output tax. If your overseas related entities provide these Singapore clients with remote services of a value exceeding the registration threshold, you should inform them to register for GST.

The transitional rules surrounding GST rate change are not straightforward. If you have yet to engage your operational teams to identify transactions that straddle the rate increase, including imported services where applicable, and discuss the applicable GST treatment, you should do so immediately. Take advantage of IRAS concessions on your payment date, elect the lower GST rate and seek practical solutions to manage these transactions.

## How we can help

As a committed tax advisor to our clients, we can advise you on OVR registration matters. Our team is able to assist you with GST registration, returns filing and the documents required to support your accounting of GST. If you are unsure of the transitional rules surrounding the GST rate change, we can provide guidance and conduct an in-house workshop to walk you through the rules.



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