

Taxing imported remote services and imported low-value goods from 1 January 2023

November 2021

In brief

With effect from **1 January 2023**, the Singapore GST regime will be extended to levy GST on:

- Business-to-Consumer (“B2C”) imported non-digital services.
- B2C low-value goods (“LVG”) imported via air or post that are valued S\$400 or less.

The overseas vendor registration (“OVR”) regime implemented on 1 January 2020 will be extended to cover the above supplies.

The above changes were announced in Budget 2021. The objective of the changes is to ensure level playing field between local and overseas businesses which sell to local non-GST registered persons. The change also ensures that the GST system remains fair and resilient as the digital economy grows.

Below is a recap of the GST rules introduced/to be introduced to tax imported goods and services.

1 Jan 2020

- **Reverse charge** regime for Business-to-Business (“B2B”) supplies of imported services
- **Overseas vendor registration** regime for Business-to-Consumer (“B2C”) supplies of imported digital services

1 Jan 2023

- Extending **Overseas vendor registration** to tax
- B2C remote services
 - Imported low-value goods

In detail

A. Taxing B2C imported remote services

Overview	<ul style="list-style-type: none">• Under the current OVR rules that were implemented on 1 January 2020, B2C supplies of imported digital services are subject to GST. B2C refers to supplies to non-GST registered customers (including non-GST registered companies).• With the extension of the OVR regime from 1 January 2023, all B2C supplies of imported services (digital or non-digital) will be subject to GST if the services can be supplied and received remotely. These services are referred to as “remote services”.
Definition of remote services	<ul style="list-style-type: none">• Remote services are defined as any services where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.• Exclusion applies (such as services that fall under exempt and zero-rated supplies under the GST Act).
Examples of remote services (non-exhaustive)	<ul style="list-style-type: none">• Digital products (e.g. mobile games, downloadable software)• Professional services (e.g. investment advisory, brokerage services, legal and consultancy services)• Educational services• Online counselling, matchmaking and telemedicine services.
Who may be impacted by this change	<ul style="list-style-type: none">• Overseas seller who makes supply of remote services to non-GST registered customers (individuals or businesses) in Singapore• An electronic marketplace would be regarded as the supplier of the remote services under certain circumstances (e.g. the electronic marketplace sets the terms and conditions under which the supply is made). This includes both overseas and local marketplace operators.
GST registration requirements under the extended OVR	<ul style="list-style-type: none">• A two-tier registration threshold applies under the extended OVR regime.• An overseas vendor would be liable for GST registration if the following thresholds are exceeded in a calendar year or are expected to be exceeded in any 12-month period:<ul style="list-style-type: none">○ S\$1m in global revenue; and○ S\$100,000 in remote services and LVG relating to B2C supplies in Singapore.• The registration rules are applied on a retrospective and prospective basis, and transitional rules apply.• The current pay-only regime with simplified registration and reporting requirements will apply to the extended OVR.
GST implications for B2B customer	<ul style="list-style-type: none">• GST is not chargeable by the OVR vendor to a Singapore GST registered customer. The Singapore GST registered customer should provide GST registration number to the OVR vendor when buying services from the OVR vendor.• The Singapore GST registered customer will need to assess reverse charge liability if any.

B. Taxing imported B2C low-value goods

Overview	<ul style="list-style-type: none">• Import GST is currently not applicable to goods imported via air or post that are valued up to S\$400.• With the extension of the OVR regime from 1 January 2023, B2C supplies of LVG imported into Singapore will be subject to GST.
Definition of LVG	<p>LVG are goods which at the point of sale :</p> <ul style="list-style-type: none">• are not dutiable goods, or are dutiable goods, but payment of the customs duty or excise duty chargeable on the goods is waived under section 11 of the Customs Act;• are not exempt from GST;• are located outside Singapore and are to be delivered to Singapore via air or post; and• have a value not exceeding the GST import relief threshold of S\$400 (see next section for more details).
Different values to be considered	<ul style="list-style-type: none">• OVR vendors are required to use the sales value of the goods (which excludes insurance and freight costs), to determine whether the goods fall within the definition of LVG (unless they elect otherwise).• However, GST is chargeable on the value of supply of LVG, which includes insurance and freight costs, where applicable.• Where multiple goods are shipped as single consignment, the goods should be disaggregated and valued separately as separate items in determining whether each item fall within the definition of LVG (unless otherwise elected).
Who may be impacted by this change (non exhaustive)	<ul style="list-style-type: none">• Overseas and local supplier making sales of LVG delivered from overseas to customers in Singapore• Overseas and local operator of an electronic marketplace supplying LVG delivered from overseas to Singapore, on behalf of local and overseas suppliers, through the marketplace• Overseas and local redeliverer delivering or facilitating the delivery of LVG from overseas to Singapore, by providing or facilitating the purchase or the use of an address outside Singapore.
GST registration requirements under OVR	<ul style="list-style-type: none">• A two-tier registration threshold applies under the extended OVR regime.• An overseas vendor would be liable for GST registration if the following thresholds are exceeded in a calendar year or are expected to be exceeded in any 12-month period:<ul style="list-style-type: none">◦ S\$1m in global revenue; and◦ S\$100,000 in remote services and LVG relating to B2C supplies in Singapore.• The registration rules are applied on a retrospective and prospective basis, and transitional rules apply.• The current pay-only regime with simplified registration and reporting requirements will apply to the extended OVR.
GST implications for B2B customer	<ul style="list-style-type: none">• GST is not chargeable by the OVR vendor to a Singapore GST registered customer. The Singapore GST registered customer should provide GST registration number to the OVR vendor when buying LVG from the OVR vendor.• The Singapore GST registered customer will need to assess reverse charge liability if any.

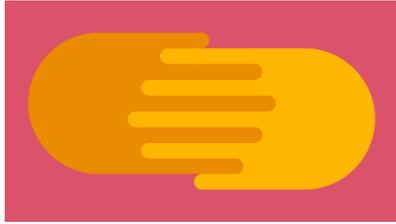
Practical considerations

Given the wide reach of the new rules, businesses (including marketplaces and redeliverers) providing goods and services to Singapore non-GST registered customers should consider if they would be affected by the new rules.

Areas to look into as part of the business' assessment and preparation process would include:

- Assessing if supplies fall within the definition of remote services or LVG
- Assessing if marketplace or redeliverer rules apply
- Determining GST registration liability
- Updating processes and systems:
 - Implement processes to differentiate B2B from B2C and differentiate LVG from non-LVG
 - Ensure sufficient information captured for remote services and/or LVG reporting requirements
- Ensuring GST is charged on the correct value for LVG
- Assessing transitional rules - transactions straddling 1 January 2023 are subject to a different set of reporting rules
- Seeking IRAS clarification/concession where applicable

Considering that there could be complexities to operationalise the rules, affected businesses should get ready early and allow ample lead time for the systems and process changes required to fulfil their registration and compliance obligations.



Contact us

If you would like to discuss any of the issues raised, please get in touch with your usual PwC contact or any of the individuals listed below.



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