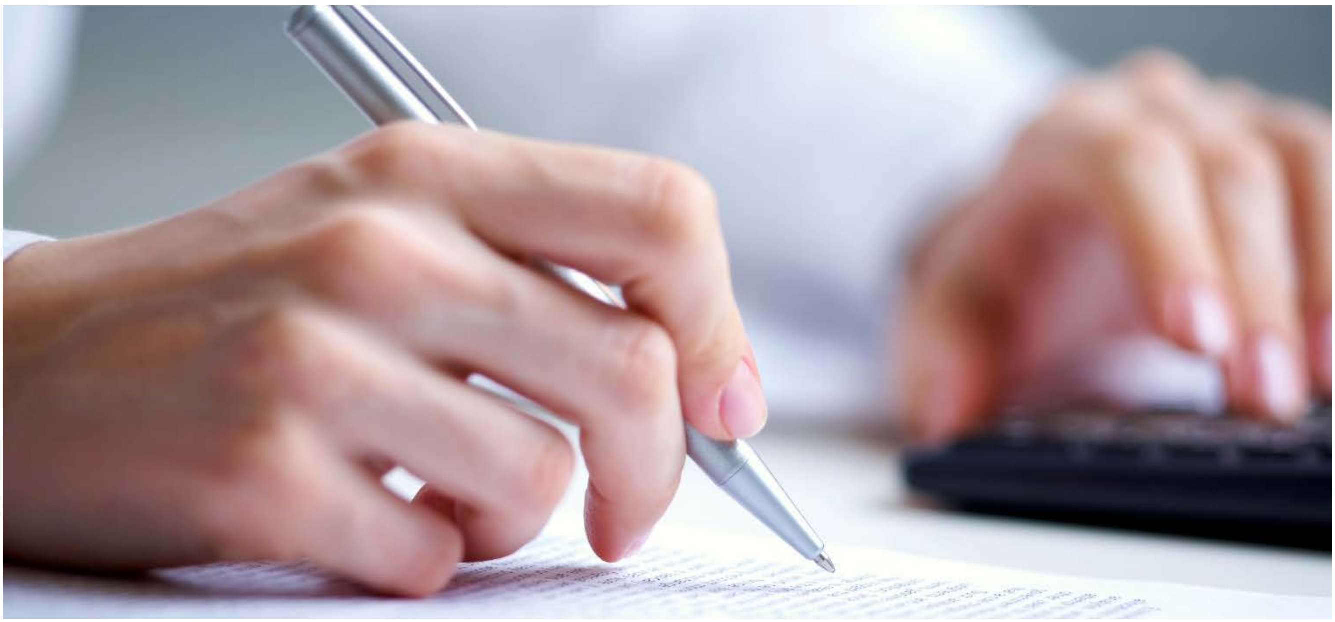
Tax Alert

ISSUE 05 | **FEBRUARY 2016**

In this issue, we will provide a summary of Good Services Tax (GST) updates impacting businesses in Singapore.



Global contract administrative concession

It is common for an overseas company to enter into a contract with a Singapore GST-registered service provider, for services to be performed for companies in and outside Singapore. As services rendered for the direct benefit of a Singapore company are subject to GST, the overseas company may incur irrecoverable GST.

An existing administrative concession allows the local service beneficiary to claim the GST incurred subject to conditions, including obtaining the Comptroller of GST ("the Comptroller)'s prior approval. The requirement for prior approval has since been removed from 14 October 2015 clarified in the e-Tax Guide, *Clarification on "Directly in Connection With" and "Directly Benefit"*.

Bunkering – GST treatment of loan of fuel

Bunker suppliers and barge owners may engage in mutual arrangements involving the provision of loan fuel by one party ("the lender") to another ("the borrower"). The borrower typically provides the amount of the loaned fuel back to the lender in a short period of time, and the loaned fuel is recognised by the lender as its assets.

The Inland Revenue Authority Of Singapore (IRAS) has clarified that a lender need not charge GST on the loaned fuel, so long as it is for free. However, the lender must account GST if the loan is treated as a sale subsequently. The borrower, if GST-registered, can claim the GST incurred subject to the usual input tax claim conditions.

GST implications on transfer pricing adjustments

There has been increasing focus on transfer pricing. The IRAS has set out guidelines on this matter including documentation in its e-Tax Guide, Transfer Pricing Guidelines.

As companies look into the appropriate transfer price of transactions, they should be mindful of the GST implications arising from the transfer pricing adjustments.

For instance, the retrospective increase in the transfer price of sales of goods is effectively an increase in the GST value of the supply of these goods. The increase in the value should be duly accounted for in GST returns. If the goods were exported and existing export documentation is not sufficient to support the adjusted price of goods, it is not clear how the IRAS would accept these documents for the purposes of zero-rating.

The customs value of the imported goods would increase due to the true-up adjustment. Thus, importers are required to take up a short payment permit to pay the additional import GST to the Singapore Customs.

Importance of GST Compliance

Failing to comply with GST rules may lead to penalties and reputational risk. Our GST specialists have significant experience in assisting businesses in various industries to remain GST compliant, and to provide advice on remedial actions where there are gaps.

Please contact us if you have any questions on the above and how they could impact your business.

About Tax Alert

KPMG's Tax Alerts highlight the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

"Tax Alert" is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

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