

Annex

Summary of key suggestions received on the Goods and Services Tax (Amendment) Bill 2013

Allow GST obligations to be imposed on the new local agent

- a) Suggestion: IRAS should specify the form and manner by which the new local agent is required to seek approval for assuming GST obligations in the situation where the goods being transferred have been or will be treated/ processed.

*MOF's response: **Accepted.** There will be a self-review form to be completed by the overseas principal, together with the current and new local agent. IRAS will publish the self-review form by November 2013.*

- b) Suggestion: There should be clarification on whether a transfer of goods from the current local agent to a new local agent constitutes a supply for GST purpose, and whether output tax needs to be accounted.

*MOF's response: **Accepted.** The transfer of goods from a previous local agent to a new local agent is not a supply of goods and output tax need not be accounted for this transfer. IRAS will clarify this in its e-Tax Guide "GST: Guide on Imports" by November 2013.*

- c) Suggestion: The new local agent should be allowed to take on the GST obligations automatically in respect of the transferred goods, even though the goods have been or will be treated/ processed following their import. There should not be a requirement that approval has to be sought for the new agent to take on the GST obligations.

*MOF's response: **Rejected.** We are unable to remove the approval requirement for the transfer of GST obligations, as there may be GST revenue leakage if the local agent is unable to trace with certainty the flow of the goods. In addition, the Comptroller needs assurance that the transfer of goods arose from a genuine change of local agent, instead of a situation where goods are passed between contract manufacturers for which rules of the Approved Contract and Manufacturer Scheme should apply. IRAS will publish information on how such an approval can be sought, as well as the GST treatment in a situation where the new local agent is not permitted to take on the GST obligations, by November 2013.*

- d) Suggestion: With regard to the requirement that the local agent has to repay the input tax claimed in situation where he de-registers from GST and has not supplied the goods (on behalf of his overseas principal), it is suggested that the computation of the GST liability be, as follows:

(i) The amount of GST to be paid to the Comptroller is based on the market value of the goods; and

(ii) The local agent should be absolved from paying the GST amount if the total market value of all goods is below \$10,000.

The above computation is similar to that applicable to the local agent's businesses assets held at GST de-registration.

*MOF's response: **Rejected.** The legislative amendment merely clarifies an existing policy. We cannot adopt the computation applicable to the local agent's business assets, because the goods belong to the overseas principal and not to the local agent.*

The local agent is merely allowed to claim input tax on behalf of his overseas principal on the understanding that he will also account for any output tax on the subsequent supply. Accordingly, if the local agent is unable to account for output tax on the subsequent supply as a result of his GST de-registration, he becomes ineligible for the entire input tax claimed. The legislative amendment thus clarifies the requirement on the importer to repay the input tax he has claimed previously.

Provide for enforcement powers in relation to fraudulent claims under the Tourist Refund Scheme (TRS)

- e) **Suggestion:** The seizure of goods and arrest of persons for investigation of suspected TRS fraud in scenarios where the tourist refund claims are made without fraudulent intent would be unfair. It is suggested that clarification be provided on what constitutes “TRS fraud” and specific scenarios be indicated.

MOF’s response: Accepted. *Claiming tourist refund will not constitute a TRS fraud if the act is carried out without fraudulent intent. The Comptroller will only exercise his power to seize goods and arrest persons after conducting extensive checks, and where such checks show a tourist refund claim is fraudulent or there is fraudulent intent to claim tourist refund. An example of TRS fraud is where a tourist knowingly claims refund for a fictitious purchase. While we are unable to provide an exhaustive list of scenarios as the facts of each case need to be examined to determine whether there is fraud, IRAS will provide information on TRS fraud and the consequences of committing TRS fraud on its website by December 2013.*