

GST Guide Updates: Fringe Benefits and Logistics Service Industry

In this issue, we update and discuss the salient changes to the recently updated GST e-Tax Guides for Fringe Benefits and the Logistics Service Industry.

Fringe Benefits

The Inland Revenue Authority of Singapore (IRAS) did a major revamp of the GST Fringe Benefits e-Tax Guide in its 16 May 2016 publication. The much awaited 6 Jan 2017 publication extended additional administrative concessions and added clarity on some issues.

Revisions for clarity

1. *Fringe benefits provided to only specific persons: Fringe benefits provided only to specific persons is generally treated as for those persons' personal consumption and hence not claimable. The latest clarifications spell out exceptions to the general rule.*

- Courses made available to specific persons are claimable if the courses are relevant to the business.

E.g., Partners in a tax consulting firm attending a tax course.

- Fringe benefits extended to only specific persons are allowable if similar benefits are provided to other staff.

E.g., Refreshments at a board of directors' meeting is allowable if refreshments are provided at staff meetings.

2. *Guidance on remoteness of work place for transport expenses: There was previously no guidance on how to determine remoteness of the work place.*



- If a work place is more than 1km from the nearest MRT station/bus stop or if the nearest MRT station is more than 1km and the bus stop does not have more than 2 buses serving it, the work place is considered remote.
3. *Taxi: Clarification that GST is unlikely to be incurred on the taxi ride itself.*
- The IRAS has clarified that the GST claimable would be on booking fees and administrative fees, as the taxi ride itself is unlikely to be charged with GST.
4. *Preparation of employee's IR8A: There was previously no commentary on this.*
- The IRAS has clarified this is not a fringe benefit as it is the employer's responsibility to prepare the IR8A. Hence it is claimable.



5. Corporate credit card subscription

- The Guide before the 16 May 2016 version stated that input tax on corporate credit card subscription was claimable but this was not in the 16 May 2016 version of the Guide. This has since been included in the current version.

Additional administrative concessions

1. Proxy to quantify business and private mobile phone expenses

- If a business has difficulties segregating the business and private portions of staff mobile phone expenses, it may use the following IRAS proxies:
 - Full expense is reimbursed to staff: 4/7 of the GST incurred.
 - Part reimbursement to staff: The lower of 7/107 of the reimbursed amount or 4/7 of the GST incurred on the full expense.

2. Temporary accommodation

- Temporary accommodation incurred for relocating staff or for foreign staff who visit Singapore for business is claimable. As a guide, temporary accommodation is of a duration not exceeding 30 days.
- If the company allows accommodation of a certain size/specification, input tax is allowable up to that limit even if family members occupy the accommodation. Any incremental expense is not claimable.

3. Transport expenses

- *Dormitory*: Transport expenses to fetch foreign workers to and fro dormitories and their work site is claimable.
- *Remote work place (meals)*: Transport expenses to fetch staff to and fro a remote place to external venues for meals is claimable.
- *Visiting foreign staff*: Transport expense incurred for foreign staff in Singapore temporarily for business is claimable.

4. Meals

- Food and beverage expenses incurred by staff at the airport, in the course of a business trip, is claimable.

5. Clothing, accessories and personal grooming expenses

- If the business requires staff to look attractive or to project a uniform image to serve customers, grooming expenses are claimable.

6. Gifts on bereavement: The previous version of the Guide provided that gifts on bereavement was claimable only if intended for the staff.

- Gifts on the bereavement of a staff's immediate family member is also claimable. Immediate family members comprise the spouse, children, parents, parents-in-law, grandparents, great grandparents and siblings.

7. *Free parking for staff: The previous version of the Guide limited the circumstance where free parking would not have deemed output tax implications, to where there were transport constraints.*

- There is an expansion in the current Guide where deeming is similarly not required if the job function requires driving or if parking is free for the public and there are no reserved lots for staff.
- The IRAS has also specified that the above applies to input tax incurred for the construction of a car park or lease of a car park.

The revisions have retroactive effect from 16 May 2016. Businesses may choose to file additional claims arising from the revisions in a GST F7 return or in their next GST F5 return.

While the new concessions in the Fringe Benefits Guide are a welcome addition, we anticipate that it remains subjective for a business to assess its eligibility for the concessions. For instance, if a business visit by a foreign staff exceeds 30 days, can the business claim the full accommodation expense or claim the amount up to 30 days?



A business will need to consider the trade-off between a benefit (in this case additional input tax claim on fringe benefits) and the costs. The business must identify its potential additional claim that are not ambiguous in the concessions, and then put in place processes to consistently capture these for input tax claim purposes.

Logistics Service Industry

The GST Guide for the Logistics Service Industry has undergone its first update since its 28 Aug 2012 publication. The updated Guide specifies a new requirement effective 1 Jan 2017 for freight forwarders to maintain a register of subsidiary export certificates and notes of shipments they issue. Additionally, the Guide provides the following:

- sufficient export documents must be provided to customers in a timely manner for latters' zero-rating purposes; and
- common errors made in this industry.

Register of subsidiary export certificates and notes of shipment

- *New requirement with effect from 1 Jan 2017*
- A freight forwarder must maintain a register of the subsidiary export certificates (SECs) and notes of shipment (NOSs) issued, as part of its existing database or as a standalone register.
- The IRAS specifies the details of the register, such as the serial number of SEC and name of exporter/shipper it was issued to.

Essential documents when acting as section 33(2) or section 33A agent

- The IRAS provides guidance on the documents that freight forwarders should maintain when acting on behalf of overseas principals for imports and exports as import agents under section 33(2) or of the GST Act, such as the principal's letter of appointment of a freight forwarder as agent.

The main challenge for the logistics service industry is the correct and consistent application of the international service provisions in section 21(3)(a), (b), (c), (l), (k) and/or (g) to its various service bundles for zero-rating purposes.

The GST obligations and requirements that arise on providers who use a GST scheme, i.e., the Approved Third Party Logistics Company Scheme or the Major Exporter Scheme, also expose them to additional GST compliance risks.



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We will also be happy to discuss the suite of GST compliance and advisory services that KPMG offers.

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