

## **Key takeaways**

The following key Goods and Services Tax (“GST”) changes impacting banks and financial services will come into effect from 1 January 2023:

1. GST rate will increase from 7% to 8% from 1 January 2023 and 8% to 9% from 1 January 2024
2. GST will be computed on the recovery of overseas brokerage (and other trade related charges) for shares traded on overseas exchanges

## **What is GST?**

GST is a consumption tax that is levied on the supply of goods and services in Singapore and the import of goods into Singapore (collected by Singapore Customs). In other countries, GST is known as the Value-Added Tax or VAT.

## **About Singapore’s GST rate change**

In the Singapore Budget 2022, the Minister for Finance announced that the GST rate will be increased from:

- (i) 7% to 8% with effect from 1 January 2023; and
- (ii) 8% to 9% with effect from 1 January 2024.

For more information, please refer to IRAS’ website [here](#).

## **How will the GST rate change affect you as a customer?**

GST exemptions apply to the provision of certain financial services. As a general rule, purchases of goods and services from GST-registered businesses before 1 Jan 2023 will be subject to GST at 7%, and purchases on or after 1 Jan 2023 will be subject to GST at 8%. There are scenarios where special GST rules will apply for events that straddle 1 Jan 2023.

Please refer to IRAS website [here](#) for such scenarios.

## **Impact on banking services and products:**

As prevailing practice, fees and services relating to products that are not subject to GST are not impacted by the rate change.

Examples of fees and services not subject to GST include:

- Fees incurred for the operations of current, deposit or savings account
- Remittance and money transfers – issuance of bank drafts, cheques, money order, direct debits, GIRO & Standing instructions, transfers between accounts
- Interest earned on deposits

Examples of fees and services subject to GST include:

- Arranging, broking, underwriting, custody and advisory services
- CPF Investment Account – transaction fees, service charges

*(Kindly note that the above list is not exhaustive.)*

### **Removal of GST administrative concession on recovery of overseas/foreign brokerage and related charges**

With effect from 1 January 2023, the prevailing GST rate will be chargeable on the recovery of all overseas/foreign brokerage and trade-related charges from clients of Singapore brokers and banks following the removal of a concession. Prior to this, such overseas/foreign brokerage and trade-related charges borne by clients of Singapore brokers and banks are GST exempt.

For more information, please refer [here](#).

### **FAQs**

#### **General**

#### **1) What are the changes made to the GST rate?**

As announced by the Finance Minister in the 2022 Budget, GST rate will increase from 7% to 9% as shown below:

- 1 Jul 2007 to 31 Dec 2022: 7%
- 1 Jan 2023 to 31 Dec 2023: 8%
- 1 Jan 2024 onwards: 9%

## 2) Am I impacted by the GST rate change?

For existing fees and services that are currently charged with GST, the GST rate will increase according to the announced implementation dates.

There are no changes to existing fees and services that are not subject to GST.

## Recovery of overseas brokerage and related overseas cost

### 3) Why do I have to pay GST on overseas brokerage and related cost with effect from 1 January 2023 when I did not have to previously?

Since 1 July 1996, the IRAS' GST administrative concession that has been granted to Singapore brokers and banks to treat the recovery of the overseas brokerage and trade related overseas cost from the customer as an out-of-scope (i.e. GST is not applicable). This administrative concession was in place to ensure that local brokers would be on an equal footing as overseas brokers for GST purposes.

With the introduction of the GST Reverse Charge (RC) regime in Singapore, the IRAS announced the removal of this GST administrative concession with effect from 1 January 2023 as the implementation of RC ensures parity in the GST treatment (i.e. GST would be applied on both local and overseas brokers' charges).

### 4) Why do I have to pay GST on a stamp duty or levy which are considered to be taxed by a foreign jurisdiction?

Where the stamp duty/ levy is imposed by the overseas jurisdiction, these are generally payable by the overseas broker and custodian nominees of the shares (as the party liable to pay the taxes) who would then recover such cost from the local broker.

The local broker's recovery of the overseas brokerage and the overseas related costs from the customer is a reimbursement and forms part of the local broker's primary supply of brokerage service which is subject to GST at 8%.

*\* The IRAS has communicated that the GST treatment of the recharged stamp duty will also follow that of the local broker's primary supply of brokerage service and be subject to GST.*

### 5) Would Securities Transaction Tax (STT) attract GST?

STT is not subject to GST.