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Our Ref: LS/10/PubConsult(COP)09-37/AC.rk.V1(090623)
Your Ref:

23 June 2009

Ministry of Finance
100 High Street
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Singapore 179434

BY E-MAIL ONLY

E-mail: HUANG_Qinxin@mof.gov.sg
No. of pages: 5 pages
(including this page)

Attention: Ms Huang Qinxin
Associate (Tax Policy)

Dear Ms Huang

**PUBLIC CONSULTATION ON GOODS & SERVICES TAX (AMENDMENT)
BILL 2009**

We refer to your e-mail request dated 3 June 2009 inviting the Law Society to provide our feedback on the public consultation on the Goods & Services Tax (Amendment) Bill 2009.

An ad hoc committee was appointed to review the consultation paper.

We are pleased to enclose our ad hoc committee's feedback on the matter for your consideration.

Thank you for giving the Law Society the opportunity to give our views on the matter.

Yours sincerely

Alvin Chen
Director, Representation and Law Reform Department

Encl.



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Public Consultation of Good & Services (Amendment) Bill 2009 – Template for Submission of Comments

Date Submitted:			
Name:		For non-individuals, please identify the company, institution or association and provide the name of a contact person.	
Contact Details:		E.g. DID, fax, email address	
Summary of feedback:			
Details:			
No.	Tax Change Amendment to GST Act^a	Comments^b	Proposed change to draft GST (Amendment) Bill
		<p>PUBLIC CONSULTATIONS ON DRAFT GOODS AND SERVICES TAX (AMENDMENT) BILL</p> <p>1 Of the 5 changes proposed in the GST (Amendment) Bill, 2 of them concern administrative details (i.e. the stating of precise grounds of objection and GST registration in the name of a trust) while another 2 are incremental in nature (i.e. the extension of zero-rating of supplies of aircraft to qualifying aircraft parts and the suspension of the levy of GST where goods are removed from a zero-GST or licensed warehouse for the purpose of auction or exhibition).</p> <p><i>Zero-rating of supply of aircraft</i></p> <p>2 In respect of the zero-rating of aircraft, we note that there is a proposed amendment of the definition of the word “aircraft” in section 21(4). Currently, the definition of “aircraft” in section 21(4)(a) reads as follows:</p>	

		<p>“aircraft” means an aircraft which is not used or intended for use for recreation and pleasure.</p> <p>3 In the proposed amendment of the definition of the word “aircraft”, the definition is extended to include:</p> <p>any aircraft used or intended to be used for recreation or pleasure if it is wholly used or intended to be wholly used for travel —</p> <ul style="list-style-type: none">(i) from a place outside Singapore to another place outside Singapore;(ii) from a place in Singapore to a place outside Singapore; or(iii) from a place outside Singapore to a place in Singapore”. <p>4 This intention of this legislative amendment is laudable as it recognizes the geographical compactness of Singapore and that any air travel is substantially international in character. With this new extended definition, even the supply of recreational and pleasure aircraft may be zero-rated if it is wholly used or intended to be wholly used for travel in the 3 circumstances shown above.</p> <p>5 However, recreational and pleasure aircraft by their very nature, cannot be “wholly” used for those 3 circumstances. Quite conceivably, there will be circumstances where the aircraft takes off and flies into international air-space and returns to Singapore, without having to land at another place. It would seem that if the aircraft is used or intended to be so used, for even one such occasion, that will disqualify its supply from being zero-rated.</p>	
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		<p>6 With the above explanation, it can be seen that while the intention may be to extend the zero-rating, the mechanics are such that that extension of zero-rating is not given effect to. We suggest dispensing with the definition of the word “aircraft” altogether. This will mean that supplies of all kinds of aircraft will be zero-rated instead of leaving out from zero-rating a “residual group” of recreational or pleasure aircraft which is used partly or wholly for flying without having to land at another destination outside Singapore.</p> <p>7 We believe that such a suggestion:</p> <ul style="list-style-type: none">(a) gives effect to the intention of extending the zero-rating;(b) may not give rise to a substantial tax leakage for the “residual group” of recreational or pleasure aircraft in proportional terms. In any case, any leakage may be made up by an increase in the licence fees for such aircraft without increasing the complexity of the GST system;(c) is in keeping with the promotion of the aerospace industry in Singapore <p><i>GST Treatment of Vouchers.</i></p> <p>8 We next turn to the major change which concerns the GST treatment of vouchers which is necessitated by changes in the commercial world. The rationale for the various changes concerning the issuer and the “intermediary” seller of vouchers on the sale and redemption of vouchers have been explained in detail in the IRAS draft e-Tax Guide “<i>GST Treatment of Vouchers – Sale and Redemption</i>”. In our view, the changes have been well thought through taking into account the commercial practices.</p>	<p>To delete the definition of the word “aircraft” in section 21(4)(a) of the GST Act instead of extending the definition.</p>
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		<p>9 We have only a comment on the drafting of regulation 93G of the draft GST (General)(Amendment) Regulations 2009. That regulation relates to the computation of the value of supplies of vouchers made by an intermediary as a principal using the “margin” scheme.</p> <p>10 Under the scheme as can be seen from the draft e-Tax Guide, the computations of “A” (i.e. the total sale proceeds of the vouchers) and “B” (i.e. the total cost of acquisition of the vouchers) in regulation 93G(a), are to be made on the same number of vouchers. In other words, if 100 vouchers are sold in an accounting period, both A and B are to be computed on 100 vouchers. However, the regulation 93G(a) as drafted may be construed as requiring A to be computed on the number of vouchers sold and B to be computed on the actual number of vouchers acquired in an accounting period and it will be fortuitous that the 2 numbers coincide. In our view, regulation 93G(a) has to be re-drafted to make the intention clearer if B is to be computed on the basis of the same number of vouchers sold in the accounting period.</p>	<p>To amend draft regulation 93G for clarity</p>
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^a To quote the title of the tax change as well as the relevant Section(s) of the draft GST Tax (Amendment) Bill 2009. Please refer to the Summary Table for reference.

^b Illustrations and diagrams could be attached as Annexes.