

International trade in B2B services under VAT/GST law and the role of permanent/fixed establishments

A comparison of EU VAT and Singaporean GST
in the light of the OECD VAT/GST Guidelines

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Abstract

In today's globalized and digital world, cross-border trade in services is constantly increasing. Moreover, VAT/GST as a tool to generate tax revenues is on the rise: Nowadays, all major economies, including the EU and Singapore, levy a VAT/GST. Based on these global developments, international aspects of VAT/GST, in particular potential issues of double taxation and non-taxation caused by aggressive tax planning, are getting more and more attention. According to the international agreed standard, the design of VAT/GST systems for cross-border supplies should follow the **destination principle**. A coherent global standard, however, has not yet been achieved. By referring to the EU VAT and Singapore GST system, Karoline Spies discusses different techniques to achieve the destination principle for business-to-business (B2B) supplies of services and identifies potential areas of conflict and double taxation. Major focus rests on the role and function of business establishments to achieve an accurate allocation of taxing rights between states. According to the OECD Guidelines, the **location of the business customer** serves as the main proxy for destination for B2B supplies of services. Hence, the definition of "fixed/permanent establishment" is key when it comes the allocation of taxing rights. Furthermore, the paper also discusses the VAT treatment of services acquired by businesses with establishments located in various different jurisdictions (multiple-location entities). Finally, an outlook on potential future developments is provided.