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**GOODS AND SERVICES TAX ACT
(CHAPTER 117A)**

**GOODS AND SERVICES TAX ACT
(AMENDMENT OF FOURTH SCHEDULE)
ORDER 2011**

In exercise of the powers conferred by section 22(2) of the Goods and Services Tax Act, the Minister for Finance hereby makes the following Order:

Citation and commencement

1. This Order may be cited as the Goods and Services Tax Act (Amendment of Fourth Schedule) Order 2011 and shall come into operation on 1st January 2012.

Amendment of Fourth Schedule

2. The Fourth Schedule to the Goods and Services Tax Act is amended —

(a) by inserting, immediately after sub-paragraph (r) of paragraph 1, the following sub-paragraphs:

“(ra) the provision of financing in connection with a qualifying Islamic financial arrangement in relation to an asset, for which the provider of the financing derives an effective return;

(rb) the provision of financing in connection with a qualifying Islamic financial arrangement in relation to an asset which is jointly acquired by a provider of the financing and a purchaser, for which the provider of the financing derives an effective return;

(rc) the provision of financing in connection with a qualifying Islamic financial arrangement in relation to the construction of an asset, for which the provider of the financing derives an effective return.”;

(b) by deleting the full-stop at the end of sub-paragraph (t) of paragraph 1 and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraph:

“(u) the provision of financing by one bank to another bank under a qualifying Islamic agency arrangement.”;

(c) by deleting the definition of “effective return” in paragraph 3 and substituting the following definition:

“ “effective return” means —

- (a) in the case of a qualifying Islamic financial arrangement in relation to non-residential property in the circumstances described in paragraph (a)(ii)(A) of the definition of that arrangement, the difference between the price of the non-residential property sold by the provider of the financing to the purchaser over the cost of the non-residential property bought by the provider of the financing;
- (b) in the case of a qualifying Islamic financial arrangement in relation to non-residential property in the circumstances described in paragraph (a)(ii)(B) of the definition of that arrangement, the difference between the total of the lease payments made by the purchaser over the cost of the non-residential property bought by the provider of the financing;
- (c) in the case of a qualifying Islamic financial arrangement in relation to an asset acquired by a provider of the financing, the difference between the price of the asset sold by the provider of the financing to the bank over the cost of the asset bought by the bank on behalf of the provider of the financing;
- (d) in the case of a qualifying Islamic financial arrangement in relation to an asset jointly acquired by a provider of the financing and a purchaser, the difference between the total amount of —
 - (i) the money payable by the purchaser for the interest in the asset belonging to the provider of the financing;
 - (ii) any lease payments for the lease of the asset;
 - (iii) any moneys payable for the subsequent use of any portion of the asset referred to in sub-paragraph (c)(v) of the definition of “qualifying Islamic financial arrangement”, as may be applicable; and
 - (iv) any moneys payable in the event of an early termination of the arrangement referred to in sub-paragraph (c)(vi) of the definition of “qualifying Islamic financial arrangement”, as may be applicable, and the money provided by the provider of the financing for the joint purchase of the asset;
- (e) in the case of a qualifying Islamic financial arrangement in relation to the construction of an asset where the asset is constructed or a comparable asset substituted therefor, the difference between the total amount of money payable

by the purchaser for the asset or the comparable asset and the amount of money provided by the provider of the financing for the construction of the asset; and

(f) in the case of an Islamic debt securities arrangement, the payments referred to in paragraph (b) of the definition of “Islamic debt securities;”; and

(d) by deleting the definition of “qualifying Islamic financial arrangement” in paragraph 3 and substituting the following definitions:

““qualifying Islamic financial arrangement” means an arrangement which is endorsed by any *Shari’ah* council or body or by any committee formed for the purpose of providing guidance on compliance with *Shari’ah* law, and —

(a) in relation to non-residential property, is an arrangement that is entered into between a provider of the financing and a purchaser whereby —

(i) the provider of the financing acquires all or part of the beneficial interest in the non-residential property from the seller with a view to selling the same to the purchaser; and

(ii) the provider of the financing —

(A) immediately sells such beneficial interest to the purchaser (whether for consideration of a lump sum payment or instalment payments); or

(B) immediately leases such beneficial interest to the purchaser with an option for the purchaser to acquire the non-residential property;

(b) in relation to an asset which is acquired by a provider of the financing, is an arrangement that is entered into between the provider of the financing and a bank whereby —

(i) the provider of the financing appoints the bank as an agent to acquire the asset on its behalf, with a view to selling the asset to the bank;

(ii) the provider of the financing immediately sells the asset to the bank (whether for consideration of a lump sum payment or instalment payments);

(iii) the bank immediately sells the asset to another person at the same price at which the asset was first acquired on behalf of the provider of the financing by the bank; and

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- (iv) the bank is not required to effect payment to the provider of the financing until after the asset is sold;
 - (c) in relation to the asset which is jointly acquired by a provider of the financing and a purchaser, is an arrangement that is entered into between the provider of the financing and the purchaser whereby —
 - (i) the provider of the financing (or its agent) acquires partial interest in the asset with a view to selling its interest in the asset to the purchaser;
 - (ii) the provider of the financing (or its agent) sells its interest in the asset to the purchaser on a periodic basis for an amount of money determined at the start of the arrangement;
 - (iii) the provider of the financing (or its agent) leases the portion of its interest in the asset that has yet to be sold to the purchaser for an amount of money determined at the start of the arrangement;
 - (iv) the provider of the financing (or its agent) appoints the purchaser, or a third party, to take on the obligations in connection with the use of the asset, including its maintenance and insurance;
 - (v) in the event the asset is not in existence at the time of the joint purchase, and the provider of the financing (or its agent) leases the unsold portion of its interest in the asset to the purchaser, an amount of money may be paid by the purchaser to the provider of the financing (or its agent) for the subsequent use of that portion of the asset;
 - (vi) in the event of an early termination of the arrangement, the purchaser purchases the remaining unsold portion of the interest in the asset belonging to the provider of the financing (or its agent) for an amount of money determined at the start of the arrangement;
 - (vii) in the event the purchaser is unable to pay the amount of money in sub-paragraph (vi), the provider of the financing (or its agent) may sell the asset to a third party at a price lower than the outstanding amount payable by the purchaser; and
 - (viii) the purchaser purchases the whole of the interest in the asset belonging to the provider of the financing (or its agent) upon the expiry of the arrangement and obtains full ownership of the asset;

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- (d) in relation to the construction of an asset, is an arrangement that is entered into between a provider of the financing and a purchaser whereby —
- (i) at the request of the purchaser and in accordance to the purchaser's specifications, the provider of the financing commissions the purchaser to construct an asset, for an amount of money, with a view to selling the completed asset to the purchaser;
 - (ii) either —
 - (A) the provider of the financing (or its agent) leases the asset to the purchaser with an option for the purchaser to acquire the asset; or
 - (B) the purchaser undertakes to purchase the asset from the provider of the financing (or its agent) after the completed asset has been transferred to the provider of the financing in accordance with sub-paragraph (v)(A);
 - (iii) the purchaser procures the construction of the asset by a third party;
 - (iv) the provider of the financing (or its agent) makes periodic payments to the purchaser for the construction of the asset;
 - (v) one of the following events takes place:
 - (A) the purchaser transfers the ownership of the asset to the provider of the financing (or its agent) on a mutually agreed date on or after the completion of the construction of the asset by the third party;
 - (B) the purchaser returns all the periodic payments received to the provider of the financing (or its agent) and cancels the lease arrangement referred to in sub-paragraph (ii)(A); or
 - (C) the provider of the financing (or its agent) agrees to the substitution of the asset that is the subject of the lease arrangement in sub-paragraph (ii)(A) or the purchase undertaking in sub-paragraph (ii)(B) with a comparable asset, and the purchaser transfers the ownership of the comparable asset to the provider of the financing (or its agent), on a mutually agreed date;

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- (vi) the provider of the financing (or its agent) does not take physical delivery of the asset or the comparable asset, as the case may be; and
 - (vii) at the end of the arrangement, the provider of the financing (or its agent) transfers ownership of the asset or the comparable asset, as the case may be, to the purchaser pursuant to —
 - (A) the lease arrangement referred to in sub-paragraph (ii)(A) (except upon the occurrence of the event in sub-paragraph (v)(B)); or
 - (B) the purchase undertaking referred to in sub-paragraph (ii)(B),as the case may be;
- “qualifying Islamic agency arrangement” means an arrangement —
- (a) which is endorsed by any *Shari’ah* council or body, or by any committee formed for the purpose of providing guidance on compliance with *Shari’ah* law; and
 - (b) whereby —
 - (i) a bank appoints another bank as an agent of the first-mentioned bank for a fee, to use the first-mentioned bank’s funds with a view of generating an expected gain;
 - (ii) the second-mentioned bank returns the first-mentioned bank’s funds and the expected gain at the end of the arrangement; and
 - (iii) the second-mentioned bank retains any gains in excess of the expected gain;”.

Made this 22nd day of December 2011.

CHAN LAI FUNG
Permanent Secretary
(Finance) (Performance),
Ministry of Finance,
Singapore.

[MOF(R) 60.1.0013 v.38; AG/LLRD/SL/117A/2010/5 Vol. 1]

(To be presented to Parliament under section 86(2) of the Goods and Services Tax Act).