IRAS e-Tax Guide

GST Guide for the Biomedical Industry
(Third edition)

INLAND REVENUE
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OF SINGAPORE

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GST Guide for the Biomedical Industry

1 Aim

1.1 This guide provides details of the GST treatment applicable to the biomedical industry.

2 At a Glance

2.1 The biomedical industry is a key growth engine of Singapore's economy and one of the fastest growing sectors. To facilitate growth, IRAS collaborated with the GST Services of the Big 4 CPA Firms to co-design GST solutions to address various issues faced by the industry.

2.2 Specifically, to enhance the international competitiveness of our local industry, business-friendly GST measures have been introduced to relieve the irrecoverable GST costs incurred by businesses as well as to facilitate GST compliance along the supply chain. The measures are explained in paragraphs 3 and 4 below.

2.3 This guide also clarifies the GST treatment for other common scenarios and issues in the biomedical industry.

3 GST Relief for Importation of Medicinal Products and Therapeutic Products for Clinical Trials

3.1 You are a local intermediary (e.g. a logistics company or research organization) engaged by an overseas pharmaceutical or biotechnical company ("overseas sponsor") to import clinical trial materials (CTM) (i.e. medicinal products including pharmaceutical products) into Singapore. You may not be entitled to recover the import GST that you incurred under the normal rules[1] or use your MES status to import the materials.

3.2 To support local clinical research and ease business compliance, you can apply for GST relief (i.e. not pay GST) on the importation of CTM into Singapore for local clinical trials, re-export for overseas clinical trials, or destruction / disposal in Singapore[2]. The relief is granted on the basis that the CTM cannot be legally traded or sold and hence, are not for private consumption.

3.3 For more details on conditions and application process for the GST relief, please refer to Singapore Customs' website (www.customs.gov.sg).

From 1 November 2016, pharmaceutical products will be known as "therapeutic products" and be regulated under the Health Products Act (HPA). For other types of medicinal products, they will continue to be regulated under the Medicines Act. Notwithstanding this change, GST relief will continue to apply to:

(a) Medicinal products and therapeutic products imported into Singapore for use in local regulated clinical trials;

(b) Therapeutic products imported for re-export for overseas clinical trials; and

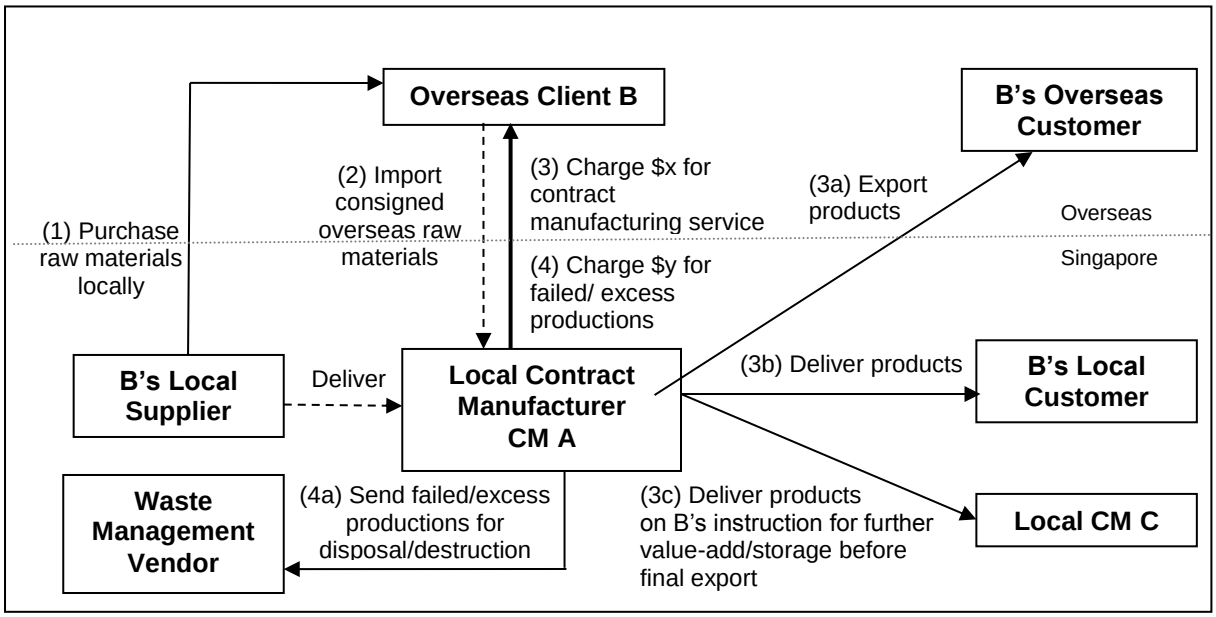
(c) Medicinal products and therapeutic products imported for destruction/disposal in Singapore[2].

4 Approved Contract Manufacturer and Trader (ACMT) Scheme for Qualifying Biomedical Manufacturers

4.1 Contract manufacturing is an adopted business model in the biomedical industry, whereby an overseas pharmaceutical or biologics company consigns raw materials to a local contract manufacturer (hereafter referred to as "CM") for value-added activities and pays a service fee.

[1] Refer to paragraph 6.1.1 of this GST guide for the input tax claim conditions.
[2] The local disposal of products has to be managed in accordance with National Environment Agency's (NEA) Environmental Public Health (Toxic Industrial Waste) Regulations.

4.2 The following diagram illustrates a typical contract manufacturing arrangement in the biomedical industry.



4.3 Based on normal GST rules, you ("CM A") will have to charge GST on your contract manufacturing activities supplied to your overseas client ("B") where the goods are not exported. B will also incur GST on the local purchases of raw materials. As B is not registered for GST in Singapore, the GST payable becomes irrecoverable cost.

4.4 To maintain your international competiveness, you can apply for the ACMT scheme if you are a qualifying biomedical contract manufacturer[3]. A qualifying biomedical contract manufacturer refers to a CM of Active Pharmaceutical Ingredients (APIs).

4.5 As an ACMT CM, you will enjoy the GST benefits explained below for your arrangements with an overseas non-GST registered client ("overseas client")[4], subject to the respective applicable conditions:

- Disregard the supply of value-added contract manufacturing services to your overseas client (i.e. not charge GST on the supply), as illustrated in (3) of Figure 1 below. The value-added services under the scheme include processing, assembly, Quality Control (QC) and functional testing. This applies to consignment, modified turnkey and full turnkey arrangements.

[3] The Comptroller of GST will consider admitting CMs in other business segments of the biomedical industry on a case-by-case basis if their business model fits within the scheme and they are able to satisfy all other eligibility conditions.

[4] The ACMT scheme privileges do not apply to arrangement with local clients (whether GST-registered or not) or GST-registered overseas client. You can verify the GST registration status of your client through the IRAS website.

- Disregard the supply of value-added contract manufacturing services to your overseas client relating to failed or excess productions (i.e. not charge GST on the supply), as illustrated in (4).

- Enjoy GST suspension (i.e. not pay GST) on the import of your own goods and goods belonging to your overseas client, as illustrated in (2).

- Recover as your input tax, the GST incurred on goods purchased locally by your overseas client and delivered to you on which you perform value-added services under the ACMT scheme, as illustrated in (1)[5].

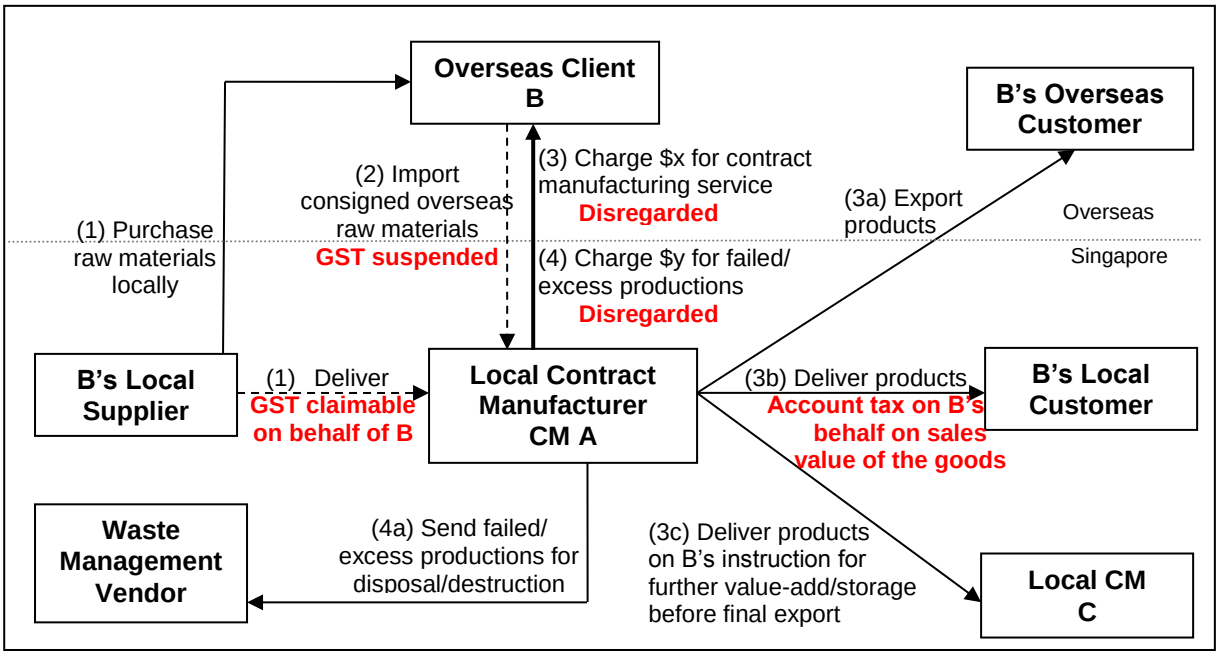


Figure 1: GST benefits under enhanced ACMT scheme

4.6 For more information on the benefits, eligibility conditions, application process, applicable conditions for the above benefits to apply and other requirements of the scheme for an ACMT CM, you can refer to the e-Tax Guide "GST: Approved Contract Manufacturer and Trader (ACMT) Scheme".

5 GST Treatment for Specific Supplies

5.1 Research grants

5.1.1 Section 10(2) of the GST Act defines supply to "include all forms of supply but not anything done otherwise than for a consideration". Hence, for a supply to exist for GST purposes, there must be a direct link between the goods or services supplied and consideration received.

[5] If you are also the suppler of the raw materials, you must account for the output tax on your supply to your overseas client. The recovery of input tax on behalf is a separate transaction. For more information, please refer to the e-Tax Guide "GST: Approved Contract Manufacturer and Trader (ACMT) Scheme".

5.1.2 Research in the biomedical industry may be publicly or privately funded through grants. Applying the principle in the above paragraph, grants that are outright payments with no benefit given in return to the grantor will not attract GST.

5.1.3 On the other hand, if direct benefits (in the form of goods or services, such as intellectual property (IP) rights, rights to use the research results or share of the research income) are conferred to the grantor by the recipient in return for the grant, part or all of the grant will be treated as consideration for the supply of the goods or services. You, as a recipient of the grant, will need to account for GST based on the tax fraction 7/107 of the Open Market Value (OMV) of the benefits given. If the OMV is not available and you are unable to identify a separate value for the benefits, GST is to be accounted based on 7/107 of the full value of the grant.

Example 1

You are a local research institution and receive a grant from a sponsor to develop a new vaccine. As part of the grant agreement, the sponsor will own all IP rights generated in the course of the research.

You are making a taxable supply of service to the sponsor as you give a direct benefit in the form of IP rights in return for the grant. If the sponsor belongs in Singapore, you must account for GST on the supply based on the OMV of the IP rights or the full value of the grant if the OMV is unavailable. If the sponsor belongs outside Singapore, you can zero-rate the supply provided that it is not directly in connection with goods in Singapore.

5.1.4 To accord the grantor “direct benefits”, the benefits must be identifiable, tangible and directly given to the grantor. The following examples illustrate certain scenarios where the Comptroller is prepared to accept that the benefits given to the grantor are not considered as “direct benefits”.

Example 2.1

You are a local research institution and receive a grant from a government agency to perform research on a certain disease. As part of the grant agreement, you are required to submit progress reports and give the grantor access to its research results.

If the primary purpose of the grant is to give funding incentives and the requirements imposed are merely for the grantor to monitor the research progress and ensure accountability of the grant usage, then they will not be considered as direct benefits given to the grantor. Hence, you do not need to account for GST on the grant.

Example 2.2

You are a research institution and receive a grant from a local non-profit organization to perform a study on certain lifestyle diseases. The grant agreement requires that you publish the research results on its website to educate the general public.

As you are providing benefits to the public at large and not specifically or directly to the grantor, you do not need to account for GST on the grant.

5.2 Research and development (R&D) services supplied to overseas customers

5.2.1 As with other supplies of services, R&D services supplied by a GST-registered person are zero-rated if it qualifies as an international service under section 21(3) of the GST Act.

5.2.2 The most relevant zero-rating provision for R&D services is section 21(3)(j), which provides zero-rating for services if the following conditions are satisfied:

(i) The services must be contractually supplied to an overseas person[6];

(ii) The services must directly benefit overseas person(s) who are physically located outside Singapore at the time the services are performed; and

(iii) The services are not performed directly in connection with goods or land in Singapore.

[6] An overseas person refers to a person who belongs outside Singapore based on section 15 of the GST Act.

5.2.3 The interpretation of the terms “directly in connection with” and “directly benefit” are explained in the e-Tax guide “GST: Clarification on "Directly in Connection With" and "Directly Benefit””.

5.2.4 The following paragraphs illustrate the application of section 21(3)(j) on common R&D arrangements in the biomedical industry.

5.3 **Research service agreements**

5.3.1 You are a local research organization and may enter into an agreement with an overseas company or research institution to perform research. The service is contractually supplied to the overseas company / research institution. If the service does not relate to goods or land in Singapore, the next step is for you to identify the person(s) directly benefitting[7] from the service by examining the agreement. If there is no explicit mention of the beneficiaries in the agreement, the flow of services should be examined. If the person(s) directly benefitting from the service belong in a country outside Singapore, you can zero-rate the research service under section 21(3)(j).

Example 3.1

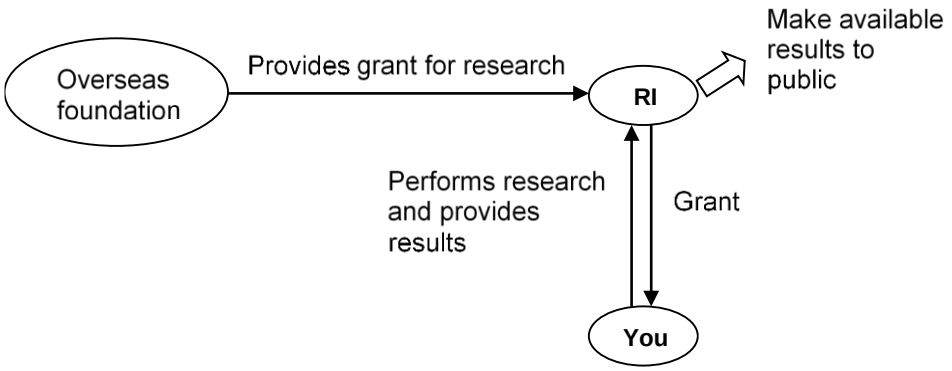
You are a local research organization and collaborate with an overseas research institution (‘RI’) on the development of a new treatment in return for a fee. You will perform the preliminary research and pass the results to RI, who would use the results for the actual development of the vaccine.

Your services directly benefit RI who is able to utilize the results to develop the vaccine and realize profits if the vaccine is commercialized. If the service is not directly in connection with goods in Singapore, you can zero-rate the fee received since RI belongs overseas.

[7] The person directly benefitting refers to the person who has enjoyed and consumed the service. This does not include secondary recipients who have indirectly benefitted or will potentially benefit from the service.

Example 3.2

An overseas foundation provides funding to an overseas research institution ('RI') to develop new therapies for certain diseases. RI then collaborates with you, a local research organization, to conduct the research in return for a grant. You will provide the research results to RI, who in turn makes them available to the public worldwide as required by the overseas foundation, including those in Singapore.



Your services only directly benefit RI. Any members of the public, including those in Singapore, who would potentially benefit from the research results published by RI are regarded as secondary recipients. This is so even if a particular member of the public in Singapore, e.g. an individual researcher, uses the results to successfully develop another therapy.

5.4 Research and clinical trials involving animal or human subjects

5.4.1 Clinical trials and certain research projects often involve animal or human subjects to test new drugs' or therapies' effectiveness. Where such trials and research are supplied to and directly benefit overseas persons, the issue of whether they are considered as supplied directly in connection with goods in Singapore due to the presence of the animal or human subjects arises.

5.4.2 If the clinical trials or research services are performed for fact-finding purposes and the outcome is the analytical report, the Comptroller is prepared to regard the services supplied as not directly in connection with goods in Singapore. The animal and human subjects are disregarded as they are merely the test subjects or 'tools' on which the trials or research are being conducted.

Example 4

You are a local clinical research organization engaged by an overseas pharmaceutical company to perform clinical trials in Singapore for a new intervention drug against a certain disease. Samples of the new drug will be administered to animal subjects in the trials, after which you will provide a report on the trials results to the overseas company. You are paid a fee for conducting the trials.

Your service is not considered as being supplied directly in connection with goods in Singapore (i.e. the animal subjects), as the service is to find out the drug's effectiveness and the deliverable is the report. You can zero-rate your supply of service made to the overseas pharmaceutical company.

5.5 Research and testing of animal or human specimens or samples

5.5.1 You may also perform research and laboratory testing services on animal or human tissue specimens or blood samples. The Comptroller is prepared to take a wider approach and treat such services supplied as not being directly in connection with goods (i.e. the animal or human specimens or blood samples), if the following conditions are satisfied:

(a) The research or testing is performed for fact-finding purposes and the outcome is the research or test report. For example, the testing is to diagnose certain health conditions of the person from whom the specimens or samples originate;

(b) The research or testing does not add any value to the specimens or blood samples or enhance them in any way; and

(c) The specimens or blood samples have no commercial value (i.e. cannot be traded or sold commercially) and will be discarded upon completion of the research or testing.

Example 5

You are a clinical laboratory providing blood sample testing services to overseas private clinics on blood samples of their patients (e.g. testing of blood cell count, sugar and cholesterol levels etc.). You charge a fee for your services and provide a test report to the clinics. You will dispose the blood samples after the testing is completed.

Your service is to find out the relevant levels in the blood samples and diagnose potential diseases or health risks. The outcome is the test results report. The service does not add any value to the samples which will be discarded afterwards. The testing service supplied by you is not directly in connection with goods (i.e. the blood samples) in Singapore. Accordingly, you can zero-rate your supply made to the overseas clinics.

5.6 Research involving prototypes

5.6.1 Research into new formulas, designs, concepts, know-hows and technical specifications of a product may involve the creation of a prototype. The prototype may be either new (i.e. built from scratch) or an enhanced version of an existing product. The prototype is usually created to test or verify the formula or know-how and simulate the actual product.

5.6.2 A tangible prototype is classified as a good. As such, where the supply of research services involves a prototype in Singapore, the issue of whether the services supplied are directly in connection with goods in Singapore arises. If so, the services cannot be zero-rated under section 21(3)(j) notwithstanding that they are supplied contractually to and directly benefit an overseas person.

5.6.3 Where the primary objective of the research services is to create or discover knowledge and the deliverable is the new or enhanced knowledge (e.g. formula, designs, concepts, know-hows or specifications), the research services supplied are not considered being directly in connection with the prototype. This is provided that the prototype must not be the subject matter of the research services, i.e. the prototype merely serves as an instrument to develop and verify the knowledge created or discovered and simulate the actual product. This is more clear-cut in research that involves the creation of a new prototype. In such instance, there is no identifiable goods to apply the 'directly in connection with' test as the prototype does not exist yet at the time the research services are performed.

5.6.4 Whether the research is a pure service merely comprising of knowledge creation is a question of fact and depends on the business arrangement with the customer. The following indicators can be applied as a guide towards determining the correct GST treatment:

Indicator	What It Suggests
Scope of service to be performed	The research is likely a pure service not directly in connection with the prototype if: (i) The scope of service is primarily research for the purpose of creating or discovering new or enhanced formula/know-how/concept etc.; and (ii) The prototype is merely to simulate the characteristics of the creation or discovery in a physical form, develop and verify it.
Type of service the customer expects to receive	The research is likely a pure service not directly in connection with the prototype if: (i) The main deliverable the customer expects to receive is the research report detailing the new or enhanced formula/know-how/concept etc.; and (ii) The prototype is merely for evidential or verification purpose.
New form of technology	If the research culminates in the creation or discovery of a new form of technology, it indicates that the research is a pure service not directly in connection with the prototype used in the developmental process.
Creation of Intellectual Property (IP) rights	The creation of IP rights such as patents during the research process suggests that the research entails a new technology or invention. Similar to the above, this indicates that the research is a pure service not directly in connection with the prototype.
Prototype not available for commercial sale	If the prototype is not made available for commercial sale and is intended only as a tool or means for testing purposes or to give visual presentation of a possibly real product, this indicates that the research is more likely a pure service not directly in connection with the prototype.

5.6.5 As business arrangements may vary, the above indicators should be applied to the context of each specific arrangement by the parties involved. It should also be noted that the indicators are intended as a guide and they are not absolute or exhaustive. When in doubt, you should write in to the Comptroller of GST with full facts of the case for advice on the appropriate GST treatment.

5.6.6 The above GST treatment will not apply to the following testing and manufacturing services:

Testing services

5.6.7 There are certain testing services which are clearly supplied directly in connection with goods – the goods are the subject matter of the services. Accordingly, the testing services should be standard-rated notwithstanding that it is supplied contractually to and directly benefit overseas persons. This is unless the testing service qualifies for zero-rating under section 21(3)(k), i.e. the services is performed on a sample of goods taken from goods located outside Singapore at the time the services are performed.

5.6.8 An example would be QC testing performed on newly manufactured goods.

Example 6

You are a local company engaged by an overseas manufacturer to perform QC testing on its new batch of medical equipment to be released in Singapore. In conducting the testing, you are required to perform physical checks on the devices and establish certain physical attributes to ensure that they are in working condition and safe for use.

The testing service supplied by you is directly in connection with the goods (i.e. medical equipment) in Singapore. As such, your supply is standard-rated.

Manufacturing services

5.6.9 Where the primary objective of the services is to produce the prototype based on pre-defined specifications and instructions given by the customer without inputting any new or enhanced knowledge, it is considered as a mere manufacturing of the prototype.

5.6.10 Such manufacturing services are treated as a supply of goods for GST purposes. The supply is standard-rated if the manufactured goods are delivered locally, or zero-rated if the manufactured goods are exported. For more information on zero-rating of goods, please refer to the e-Tax guide 'GST: Guide on Exports'.

Example 7

You are tasked by an overseas pharmaceutical company to produce a prototype of a new tablet based on a ready drug formula and specific instructions.

As your service is merely to produce the prototype without adding any new knowledge, the supply is standard-rated if the manufactured prototype is delivered locally.

5.6.11 In summary, where the deliverable of the service results in an intangible form (e.g. knowledge, know-how), any use of a tangible prototype may be considered as a tool for the service delivered and the service will not be considered as being directly in connection with the good. This is so even though the result may be presented in a physical report. However, if a large part of the deliverable is to produce a tangible prototype, the service will be considered as directly in connection with the good. Please refer to Appendix 1 for an illustration of the application of the above GST treatment to a scenario involving prototypes.

6 Input Tax Claims

6.1 General rules

6.1.1 In general, a GST-registered person can claim the GST incurred on business expenses (referring to purchase of goods and services locally from GST-registered suppliers and imports of goods) if the following conditions under sections 19 and 20 of the GST Act are satisfied:

(a) For local purchases, the goods or services must be contractually supplied to the business. For imports, the business must be the rightful importer of the goods;

(b) The goods or services are used or to be used for the purpose of the business;

(c) The goods or services are used or intended to be used for the making of taxable supplies or out-of-scope supplies that would be taxable if made in Singapore;

(d) The input tax claims are supported by valid tax invoices or simplified tax invoices for the goods or services supplied locally and for imports, relevant import permits showing the business as the importer; and

(e) The input tax claims are not disallowed under regulations 26 or 27 of the GST (General) Regulations[8].

6.2 Intention to make taxable supplies

6.2.1 There may be situations where you procure goods or services with the intention to make taxable supplies subsequently and claimed the corresponding input tax. However due to change in business circumstances, the intention may not materialize, resulting in no taxable supplies being made.

[8] Disallowed expenses include club subscription fees, medical and accident insurance premiums, medical expenses, family benefits and motor car expenses. For more information, please refer to IRAS website > GST > GST-registered businesses > Working out your taxes > Can I claim GST (input tax).

6.2.2 If you can prove (with documentary evidence) that at the point of claiming, you had firm intention to make taxable supplies in the course and furtherance of your business, you need not adjust the input tax previously claimed. For example, you entered into a contract with your customer to make those taxable supplies. However due to genuine circumstances which is beyond your control, the intention did not materialize, e.g. the product that you intended to supply turns out to be commercially non-viable.

6.2.3 Otherwise, you will need to repay the input tax claims you had made earlier to the Comptroller. Separately, you are not allowed to claim as input tax, the GST attributable to activities after the intention to make taxable supplies has ceased.

Example 8

You are a local GST-registered pharmaceutical company and regularly make taxable supplies of medicinal drugs in Singapore. You incur R&D expenses (including research, testing and clinical trial services provided by a local clinical laboratory) on a new product that you intend to commercialize and have claimed input tax on these expenses in your GST returns. In preparation for the launch of the new drug, you have also entered into agreements with your CMs for bulk production of the drug. In addition, you have prepared marketing and sales plan for the product launch. At the final stage of testing, new safety regulations are introduced and as a result, the drug could not obtain regulatory approval for sale.

You have claimed input tax on R&D expenses on the basis that you intended to commercialize the new drug and make taxable supplies. This is demonstrated through the manufacturing agreements and marketing plans prepared. The supplies did not materialize due to genuine circumstances beyond your control, i.e. the introduction of new regulations. In such instance, you are entitled to the input tax that you have claimed previously and no repayment of tax is required.

6.3 Input tax attributable to non-taxable grants

6.3.1 There may be situations where you incur input tax in relation to business activities which are wholly or partially funded by non-taxable research grants, and the research grants are received by you as outright payments with no benefits given in return to the grantor (see paragraph 5.1.2 above).

6.3.2 Whether you may claim the input tax in full including the proportion attributable to the non-taxable grants depends on whether you are wholly carrying on a business for the making of taxable supplies. Where you are fully making taxable supplies for business purposes, you may claim the input tax in full. However, if you are carrying on both business and non-business activities and not fully making taxable supplies, you will need to apportion the input tax and may claim only the portion attributable to the taxable supplies.

Example 9

You are a local research company and render R&D services to local and overseas businesses in return for a fee charged. You are also partially funded by research grants given by certain public sector agencies. You did not account for GST on the grants as you did not provide any benefits to the agencies in return for them. You incur input tax on expenses relating to the R&D activities, as well as general overheads for the running of its daily operations.

In this case, you are wholly carrying on business activities and making taxable supplies for a consideration. Hence, you may claim the input tax incurred in full subject to the other input tax claim conditions. This is notwithstanding that you are partially funded by non-taxable grants.

6.4 When in doubt, you should write in to the Comptroller of GST with full facts of your case for advice on the appropriate GST treatment.

7 Contact Information

7.1 For enquiries on this e-Tax Guide, please contact:

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8 Updates and Amendments

	Date of amendment	Amendments made
1	10 Dec 2014	• Revised paragraph 5.8.2 for clarity • Revised paragraph 5.8.8 in line with new section 33B provision taking effect from 1 Jan 2015
2	11 Nov 2016	<u>Previous version</u> • Removed paragraph 3 on 2011 budget changes • Removed paragraph 5.3 on GST treatment on CM's supplies and input tax entitlement prior to 1 Oct 2011 • Removed Appendix 1 on tax treatment of research and laboratory testing services prior to 1 Oct 2009 <u>Current version</u> • Amended paragraph 3 on importation of medicinal and therapeutic products for clinical trials • Amended paragraph 4 to summarize the benefits of the ACMT scheme • Editorial changes

Appendix 1: Illustration of GST Treatment for Services Involving Prototypes

You are a local GST-registered biomedical research company. You are tasked with a new flu drug (ABC) by an overseas pharmaceutical company (OP).

Scenario	Indicators	GST Treatment
Scenario 1 – Research involving new prototype You are engaged by OP to research and develop the formula for a new flu drug. In the process, a prototype of the new drug ABC is produced to simulate the actual product. OP owns the patent rights for the formula. OP will use the formula that you developed to bulk-produce ABC for commercial sale.	• Primary service is to develop the new formula • Main deliverable is the research results with the new formula • Prototype is to simulate the actual product and prove that the formula works • Prototype did not exist at start of the research • The formula is a new invention • Creation of intellectual property rights i.e. patent, over the formula • Prototype by itself is not available for commercial sale	Your service to OP is the development of ABC's formula. The prototype produced is a by-product that can be disregarded. Your service is not directly in connection with the prototype. You can zero-rate your supply to OP.
Scenario 2 – Research involving existing prototype ABC is an existing flu drug in the market but its users have reported a drowsy side effect. You are engaged by OP to develop an enhanced formula for ABC without the side effect. You perform the research using samples of existing ABC and developed an enhanced formula ABC++. The ABC samples used will be discarded on completing the research. In the	• Primary service is to develop the enhanced formula for ABC • Main deliverable is the research results with the enhanced formula • Prototype is to simulate the actual product and prove that the formula works • The ABC++ formula is a new invention • Creation of intellectual property rights i.e. patent, over the formula • The ABC++ prototype by itself is not available for commercial sale	There are 2 sets of goods in question – ABC samples and ABC++ prototype <u>ABC samples</u> The samples are merely tools for you to conduct your research and there is no value-add to them. Also, they are discarded after the service is completed. <u>ABC++ prototype</u> The prototype is intended to verify that the enhanced formula works. Your primary service to OP is the development of the enhanced formula.

process, a prototype of ABC++ is created to test the formula works	• No value added to the sample used and they are discarded upon completion of the service	Hence in this case, the goods (i.e. samples and prototype) can be disregarded. You can zero-rate your service to OP as it is not directly in connection with the goods.
Scenario 3 – Testing of newly manufactured goods You are engaged by OP, the manufacturer of ABC, to perform QC checks on newly manufactured batches of ABC++ to be distributed in Singapore. You are required to check that the goods can withstand Singapore's climate, packaging is intact etc.	• Primary service is testing of the goods • Establishes physical attributes of the goods • No creation of knowledge • The goods are available for commercial sale	The testing service is performed directly in connection with the goods in Singapore. You must standard-rate your supply to OP.
Scenario 4 – Manufacturing of Prototype You are engaged by OP to produce a prototype of the drug ABC based on the formula and specifications provided by OP. After which, you will deliver the prototype to OP's related company in Singapore for further testing.	• Primary supply is manufacturing of the prototype • No creation of knowledge	The manufacturing service is a supply of goods for GST purposes. Since the goods are locally delivered, you must standard-rate your supply to OP. This is notwithstanding whether the prototype has any value.