



**MARITIME AND PORT AUTHORITY OF SINGAPORE**  
**SHIPPING CIRCULAR**  
**NO. 12 OF 2020**

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12 June 2020

**Applicable to:** This circular should be brought to the attention of all Singapore-flagged ship owners that are assessed under Section 13A of the Singapore Income Tax Act.

**ENHANCEMENTS TO THE MARITIME SECTOR INCENTIVE – SHIPPING ENTERPRISE (SINGAPORE REGISTRY OF SHIPS) (MSI-SRS)**

1 The shipping industry has continuously evolved over the years to adapt to the changing business landscape and market dynamics. To keep pace with industry developments, provide greater tax certainty and to ease the administrative burden for the shipping sector, we are pleased to inform that the following enhancements have been made to the MSI-SRS:

**Extension and Expansion of the Self-Declaration Withholding Tax (WHT) Exemption Regime**

2 An MSI-SRS entity is eligible for WHT exemption on qualifying payments made on or after 1 June 2011 in respect of qualifying financing arrangements entered into on or before 31 May 2021 to finance the purchase or construction of Singapore-flagged ships, subject to the satisfaction of qualifying conditions set out in the self-declaration form (the Form) and the submission of the Form within the stipulated deadline.

3 The self-declaration WHT exemption regime has been:

- a) extended to cover **qualifying financing arrangements entered into on or before 31 December 2026**; and
- b) with effect from 15 January 2020, expanded to cover **financing arrangements obtained to purchase and install** scrubbers, alternative fuel systems and technology systems (collectively known as “**environmental solutions**”) on board a Singapore-flagged ship to reduce sulphur emission. The WHT exemption will apply to such costs which are included in the same financing arrangement for the purchase or construction of Singapore-flagged ships.

4 Please refer to our website at [www.mpa.gov.sg](http://www.mpa.gov.sg) for a copy of the Form (which sets out the qualifying conditions for the WHT exemption).

#### Enhancement of Section 13A Income Tax Treatment

5 Under Section 13A of the Income Tax Act (ITA), the tax exemption on qualifying income derived from the operation of a provisionally registered ship under the SRS will be back-dated to the date of provisional registration only if a permanent SRS certificate is subsequently obtained.

6 For income derived on and after 19 February 2020, the requirement to obtain a permanent SRS certificate would be removed. Qualifying income derived in respect of a provisionally registered ship under the SRS would be regarded as that derived in respect of a ship that has a permanent certificate under the SRS for the purpose of Section 13A of the ITA. Tax exemption is available for up to 1 year from the date of provisional registration, while the ship is provisionally registered under the SRS. The tax exemption would not be clawed back if a permanent SRS certificate is not subsequently obtained.

7 For the avoidance of doubt, there will not be tax exemption on qualifying income derived in respect of a provisionally registered ship under the SRS before 19 February 2020 if a permanent SRS certificate is not obtained subsequently.

#### Enhancement to Financial Reporting Standards (FRS) 116 tax treatment for MSI-SRS entities

8 Under the FRS 116 tax treatment for MSI companies, MSI-SRS entities may make an irrevocable option to adopt a simplified tax treatment for MSI-SRS income. Upon election, the MSI-SRS entity will, on a bundled basis, (i) rely on the FRS 116 accounting classification of sublease income and does not need to reclassify the qualifying sublease based on the underlying asset for tax purposes for ships and containers; and (ii) does not need to classify lease expenses and capital allowance claims in respect of qualifying assets for tax purposes as these claims will be disregarded. Please refer to the Shipping Circular No. 16 of 2018 for more details.

9 In line with the enhancement of the Section 13A income tax treatment, MSI-SRS entities that derive qualifying income in respect of a provisionally registered ship under the SRS only on and after 19 February 2020 will enjoy the FRS 116 tax treatment for the period under provisional registration even if a permanent SRS certificate is not obtained subsequently.

10 For the avoidance of doubt, the unwinding of the FRS 116 tax treatment will continue to apply to a provisionally registered ship under the SRS where all or part of the qualifying income (in respect of the ship) is derived before 19 February 2020 if a permanent SRS certificate is not obtained subsequently.

11 Any queries regarding this circular should be directed to the International Maritime Centre (IMC) Division [Email: [imc@mpa.gov.sg](mailto:imc@mpa.gov.sg); Tel: 1800 272 7777(select option 4)]. Further matters relating to registration of ships should be directed to the

Singapore Registry of Ships [Email: [marine@mpa.gov.sg](mailto:marine@mpa.gov.sg); Tel: 1800 272 7777(select option 1)].

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