

FACTSHEET ON TAX CHANGES FOR MARITIME BUSINESSES

(I) Maritime Sector Incentive

Existing Tax Incentives

Singapore currently offers a suite of tax incentives that are tailored to meet the needs of ship owners and operators, maritime lessors and providers of supporting shipping services. The table below summarises the current tax incentives and their benefits:

S/N	Incentive	Tax Benefit
1	Section 13A of the Income Tax Act	Tax exemption on qualifying income derived from operating Singapore-flagged and foreign-flagged ¹ ships
2	Approved International Shipping Enterprise (AIS) Scheme	Tax exemption on qualifying income derived from operating foreign-flagged ships
3	Maritime Finance Incentive (MFI)	Tax exemption or concessionary tax rate (5% or 10% depending on type of activities) on qualifying income derived from leasing ships or containers and managing an approved shipping or container investment enterprise
4	Approved Shipping and Logistics (ASL) Scheme	10% concessionary tax rate on incremental qualifying income derived by approved ship agencies, ship management companies, freight forwarders and logistics operators
5	Ship broking and Forward Freight Agreement (FFA) Trading Incentive	10% concessionary tax rate on incremental qualifying income derived by approved ship brokers and approved FFA traders

¹ Section 13A also covers income derived from the uplift of freight (excluding transshipment) from Singapore by foreign-flagged ships.

In addition, withholding tax exemption is granted on a case-by-case basis on qualifying payments made in respect of qualifying foreign loans taken to finance the construction or purchase of ships, subject to conditions.

Revised Tax Changes for Maritime Businesses

With effect from 1 June 2011, all existing tax incentives for the maritime sector will be streamlined and consolidated under the new Maritime Sector Incentive (MSI). New tax benefits will also be introduced under the MSI. Existing incentive recipients will transit automatically to the MSI from 1 June 2011.

Overall, the MSI aims to simplify and enhance the tax incentives for ship owners and maritime service providers, and entrench Singapore as a leading International Maritime Centre.

There are three broad categories under the MSI:

a. International Shipping Operations

This category of the MSI aims to attract ship operators to base their operations in Singapore and encourage the registration of ships with the Singapore Registry of Ships. Existing entities enjoying tax benefits under Section 13A of the Income Tax Act and the AIS scheme will transit to this category of the MSI.

(new) Entities under the International Shipping Operations category of the MSI will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged² ships, without having to apply for such exemption on a case-by-case basis.

(new) A new award will be introduced for qualifying new ship operators who are starting out in Singapore on a smaller scale. Entities approved under this award will be granted similar tax benefits as the current AIS scheme but for a non-renewable tenure of 5 years. The sunset clause for this new award will be 31 May 2016.

b. Maritime (Ship or Container) Leasing

This category of the MSI aims to promote the growth and development of ship and container financing in Singapore. Existing entities enjoying benefits under the current MFI scheme will transit to this category of the

² Only approved ship operators will be eligible for automatic withholding tax exemption in respect of foreign-flagged ships.

MSI and enjoy the same tax benefits. The sunset clause for this category is 31 May 2016.

(new) Approved ship lessors will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged ships, without having to apply for such approval on a case-by-case basis.

c. Supporting Shipping Services

This category of the MSI aims to encourage supporting shipping service providers to base their operations in Singapore, and to encourage more shipping conglomerates to conduct their ancillary activities here. Existing ASL and Ship broking and FFA trading incentive recipients will transit to this category of the MSI and enjoy the same benefits. Under this category, a new 5-year award will offer a 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services. Qualifying supporting shipping services include:

- a. Ship management, ship agency, and shipping freight/logistic services (currently covered under the ASL scheme);
- b. Ship broking and FFA trading (currently covered under the ship broking and FFA trading incentive); and
- c. **(new)** Qualifying corporate services.

The sunset clause for this category of MSI award will be 31 May 2016.

The Maritime and Port Authority of Singapore (MPA) will release further details by end May 2011.

(II) GST Measures for the Marine Industry

Existing Measures

Currently, the sale and rental of goods (including stores and merchandise) for use or installation on a 'ship' (as defined in the GST Act) can be zero-rated under certain scenarios, provided that the supplier maintains the requisite documentary proof.

In addition, repair and maintenance services performed on ships and ship parts or components may qualify for zero-rating if:

- a. The repair or maintenance is carried out on board the ship;
- b. Any part or component of the ship is removed for repair and

- reinstalled on the ship;
- c. Any part or component of the ship is removed for repair and returned to the ship as a spare; or
- d. Any part or component of the ship is removed and replaced by an identical part or component.

Revised Measures

A new GST scheme will be introduced to allow 'approved marine customers' to buy or rent goods without having to pay GST, as long as they are for use or installation on a commercial ship that is wholly for international travel. This means that the supplier may zero-rate the supply of such goods to an 'approved marine customer' without having to maintain the requisite documentary proof.

Zero-rating of repair and maintenance services will also be extended to include the following scenarios:

- a. repair or maintenance services performed on ship parts or components which are delivered to:
 - i. Shipyards in Singapore; or
 - ii. Approved Marine Customers; and
- b. In addition, where the supplier provides a reconditioned ship part or component in exchange for the faulty part (e.g. 1-for-1 exchange) to his customer, such arrangements will be treated as a single supply of repair services.

The following changes will also be introduced to ease GST compliance for ships which are in Singapore only for a temporary period of time and intend to leave Singapore as soon as possible:

- a. Remove documentary requirements for GST relief for a qualifying ship engaged in pleasure, recreation, sports or other similar events; and
- b. Grant import GST relief and waive documentary requirement on goods shipped and remained on board a qualifying ship.

These changes will be effective from 1 October 2011. IRAS and Singapore Customs will publish circulars to explain the changes and operational details by 1 September 2011.