



MOORE

SINGAPORE - A MAJOR MARITIME HUB

Moore Stephens LLP



SINGAPORE - A MAJOR MARITIME HUB

Moore Stephens LLP



INTRODUCTION

Singapore does not operate a tonnage tax system. Instead, it adopts a liberal shipping policy which encourages companies to both register their ships in Singapore and also to locate their shipping and marine-related business in Singapore.

In order to help promote its development into an international maritime centre, Singapore provides various tax incentives for shipowners / operators and shipping-related support service providers.

1. Maritime Sector Incentive – Singapore Registry of Ships (“MSI - SRS”) Scheme
2. Maritime Sector Incentive – Approved International Shipping (“MSI - AIS”) Scheme
3. Maritime Sector Incentive – Maritime Leasing (“MSI - ML”) Scheme
4. Maritime Sector Incentive – Maritime Leasing (Container) (“MSI – ML (Container)”) Scheme
5. Maritime Sector Incentive – Supporting Shipping Services (“MSI - SSS”) Scheme

1. MSI - SRS

Under this scheme, introduced over 40 years ago, full corporate tax exemption is granted to shipping income derived from freight, time and bare boat charter of ships which are registered with the Singapore Registry of Ships.

The exemption applies to shipping income derived from the carriage of passengers, mails, livestock or

goods and income derived from time charter and bare boat charter of Singapore Registered Ships. The tax exemption also covers mobilization fees, demobilization fees, holding fees and incidental container rental income that are derived in the course of qualifying shipping operations. With effect from 12 December 2018, the scope of qualifying shipping income is expanded to include finance lease income from leasing of ships.

Tax is exempted on gains derived from the sale of ships under the MSI – SRS scheme. This exemption is also extended to sale and lease-back transactions; sale of shares in a Special Purpose Company which owns MSI – SRS ships and sale of ships under construction.

No application is required for this exemption. Claim for exemption is made upon submission of the tax return to the Inland Revenue Authority of Singapore. The exemption remains in force for as long as the ship remains a SRS.

To qualify for this tax exemption, the income must be derived from a ship which:-

- a. is registered in Singapore, and
- b. is plying in international waters. (This includes plying between Singapore and other countries and between places outside Singapore).

A shipping enterprise enjoying the tax exemption under the MSI – SRS scheme may be a shipowner or operator and may be resident or non-resident in Singapore for tax purposes. Therefore the management and control of the shipping enterprise can be exercised anywhere.

It is a requirement under the ship registration rules in Singapore that a Singapore incorporated company needs to be established in order to register the ships of the company under a Singapore flag. The Singapore company can be 100% foreign-owned and must have a minimum paid up share capital of S\$50,000.

For the Singapore enterprise, the income so exempt can be distributed as tax exempt dividends.

To encourage more vessels to be registered under the Singapore flag, the Maritime Port Authority ("MPA") introduced the Block Transfer Scheme ("BTS") to allow discounts on ship registration fees.

The discounts on ship registration fees under the BTS have to be applied for to MPA in the case of:

- 2 ships aggregating at least 40,000 NT
- 3 ships aggregating at least 30,000 NT
- 4 ships aggregating at least 20,000 NT
- 5 ships of any aggregate tonnage

Ship Registration Fees:

- The fee for an ordinary registration is S\$2.50 per NT to the nearest tonne subject to a minimum of S\$1,250 (500 NT) and a maximum of S\$50,000 (20,000 NT).
- The fee for registration under the BTS is S\$0.50 per NT subject to a minimum of S\$1,250 (2,500 NT) and a maximum of S\$20,000 (40,000 NT) per vessel.

2) (A) MSI - AIS

The Approved International Shipping Scheme was introduced about 20 years ago to encourage major international shipowners / operators to locate in Singapore. Under the scheme, the qualifying income of an MSI - AIS company derived from the operations of its non-Singapore flag ships will be exempt from corporate tax. Exemption is also extended to qualifying dividends from approved subsidiaries and associated shipping companies of the MSI - AIS company. With effect from 12 December 2018, the scope of qualifying shipping income is expanded to include finance lease income from leasing of ships.

Tax is exempted on gains derived from the sale of ships under the MSI - AIS scheme. This exemption is also extended to sale and lease-back transactions; sale of shares in a Special Purpose Company which owns MSI - AIS ships and sale of ships under construction.

The scheme is administered by MPA. The MSI - AIS

status may be granted for an initial period of ten years in the first instance, subject to a five yearly review and may be extended thereafter upon re-application for three further incentive periods of ten years each. Therefore application for approval has to be made to the MPA for this scheme.

To qualify for the MSI - AIS status, the company needs to fulfill the following requirements:-

- a. be resident in Singapore, (management and control of its shipping operations based in Singapore).
- b. be an established international shipowner and ship operator engaged in international shipping.
- c. have a direct attributable business spending in Singapore of at least S\$5.5m per year (e.g. manpower costs, rental, utilities, repairs, financial costs etc.).
- d. ownership of ships is encouraged, although not a pre-requisite.
- e. support and make significant use of Singapore's trade infrastructure such as banking, financial, business, training, arbitration and other ancillary services.

The qualifying income under the MSI - AIS scheme includes:-

- i. time charter fees and freight income derived from the operation of non-Singapore flagged ships.
- ii. qualifying dividends from approved subsidiaries and associated shipping companies.

The MSI - AIS scheme also extends to qualifying income derived from the operation of Floating Production Storage Offloading vessel and Floating Storage Offloading vessel ("FPSO / FSO"), towage vessels, salvage ships, dredgers, seismic vessels and semi-submersible oil rigs.

To qualify, the Company would need to have substantial operations and possess a team with professional shipping expertise in Singapore. Income exempted under this scheme can be distributed as tax-exempt dividends.

2) (B) MSI - AIS (ENTRY)

Depending on the company's scale of operations, a new award MSI - AIS (Entry) was introduced on 1 June 2011 for qualifying new entry players to Singapore to enjoy similar tax benefits as the main MSI - AIS scheme. The MSI - AIS (Entry) award would be granted for a non-renewable 5-year period, with the option of graduating to the main MSI - AIS status at the end of

the 5-year period if qualifying conditions are met.

3) MSI - ML (SHIP)

The MSI - ML (Ship) scheme was introduced to encourage entities to base their capital and funding in Singapore to finance their ship leasing activities. Both operating and finance leasing are covered under this scheme to allow for flexibility in chartering and leasing options.

Tax exemption is granted to qualifying leasing income derived by ship leasing companies, funds, business trusts.

Application for this scheme has to be made on or before 31 December 2026. If approved, it is granted for 5 years.

A concessionary tax rate of 10% is applicable on the qualifying management income of an approved manager of the MSI - ML entity.

4) MSI - ML (CONTAINER)

The MSI - ML (Container) scheme was introduced to encourage container financing operations in Singapore.

The scheme provides for a reduced tax rate of 5% or 10% on container leasing income.

Application for this scheme has to be made on or before 31 December 2026. If approved, it is granted for 5 years.

A concessionary tax rate of 10% is applicable on the qualifying management income of an approved manager of the MSI - ML entity.

5) MSI - SSS

The MSI - SSS scheme was introduced to promote the growth of ancillary shipping service providers.

An approved MSI - SSS company can enjoy a concessionary tax rate of 10% on the incremental income derived from the provision of qualifying approved supporting shipping services for a period of 5 years. Application for this scheme may be made from 1 June 2011 to 31 December 2026.

Qualifying approved supporting shipping services

cover:

- Ship broking;
- Forward freight agreement ("FFA") trading;
- Ship management;
- Ship agency;
- Freight forwarding and logistic services; and
- Corporate services rendered to qualifying approved related parties who are carrying on the business of shipping-related activities.

Qualifying related parties refer to companies that are at least 25% owned (directly or indirectly) in terms of issued shares.

Corporate Services refer to:

- Sourcing, procurement and distribution of materials and components, products or services.
- Training of crew and staff.
- Crew management.
- Business planning, development and co-ordination of information and processes.
- Research and development.
- General management and administration.
- Technical support services.
- Human resource services.
- Financial / treasury services.
- Legal services.
- Corporate finance advisory services.
- Information technology services.

Shipping-related activities includes:

- Marine insurance.
- Offshore and marine engineering.
- Maritime law and arbitration.
- Shipping finance.
- Maritime research and development.

RELATED CONCESSIONS

- a. With effect from 2005, foreign exchange and derivatives gains derived by Singapore flagged ships and AIS companies will automatically be regarded as shipping-related hedging gains, and will hence qualify for tax exemption under their respective schemes.
- b. Automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken, from 1 June 2011 to 31 December 2026, to finance the purchase or construction of Singapore-flagged ships under the MSI – SRS scheme and foreign-flagged ships under the MSI - AIS scheme. To enjoy the automatic withholding tax exemption, companies would need to submit a self-declaration form for each loan obtained.

With effect from 12 December 2018, the scope of withholding tax exemption for charter payments for ships and container lease payments under the MSI schemes, is expanded to cover finance lease payments.

With effect from 15 January 2020, the scope of the withholding tax exemption is expanded to cover financing arrangements used to purchase and install scrubbers, alternative fuel systems and technology systems (collectively known as “environmental solutions”) on board a ship to reduce sulphur emissions. These costs would have to be included in the same financing agreement for the purchase or construction of Singapore and foreign-flagged ships under the MSI schemes.

- c. Qualifying in-house ship management fees derived on or after 22 February 2010 by a shipping enterprise under the MSI – SRS scheme that owns or operates an SRS or an MSI – AIS parent or MSI – AIS managing company, approved under the MSI – AIS scheme, from the rendering of qualifying ship management services to qualifying related Special Purpose Vehicles (“SPV”), would be exempted from tax.

With effect from 19 February 2020, the scope of in-house ship management income exemption is expanded to allow MSI – AIS sister companies and MSI – AIS local subsidiaries to enjoy tax exemption on such income as well.

- d. Payments of charter hire fees to non-residents for ships chartered-in on operating leases and operated under the MSI – AIS scheme are exempted from withholding tax.

With effect from 12 December 2018, the scope of withholding tax exemption is expanded for MSI companies to include arrangements classified as finance leases (regardless of whether it is a finance lease treated as sale or not) for tax purposes. Effectively, the MSI companies will no longer need to submit the self-declaration forms to obtain withholding tax exemption on qualifying charter payments.

For the non-MSI companies, the withholding tax exemption is accorded on payments of charter hire fees for all ocean-going ships chartered-in on operating leases.

MOORE STEPHENS LLP, SINGAPORE

Moore Stephens LLP, Singapore has been established in Singapore for more than 30 years. We are a member firm of Moore Global Network Limited, which is regarded as one of the world's leading accounting and consulting association in the world.

We provide our services to a diverse range of clients, from large corporations, listed companies to private businesses, entrepreneurs and individuals across a broad array of industry sectors. At Moore Stephens LLP, Singapore, our goal is to look beyond numbers and compliance issues, to provide our clients with practical advice to resolve problems and help them achieve their business goals.

MOORE GLOBAL NETWORK

At Moore, our purpose is to help people thrive – our clients, our people and the communities they live and work in. We're a global accounting and advisory family of over 30,000 people across more than 250 independent firms in over 110 countries, connecting and collaborating to take care of your needs – local, national and international.

When you work with Moore firms, you'll work with people who care deeply about your success and who have the drive and dedication to deliver results for you and your business. You'll have greater access to senior expertise than with many firms. We'll be here for you whenever you need us – to help you see through the maze of information, to guide you in your decisions and to make sure you take advantage of every opportunity. To help you thrive in a changing world.

CONTACT US

10 Anson Road #29-15, International Plaza,
Singapore 079903

E email@mooresingapore.com

T +65 6221 3771



Or follow us [@mooresingapore](#)
and [@moore_sg](#) on Instagram



www.mooresingapore.com

We believe the information contained herein to be correct at going to press, but we cannot accept any responsibility for any loss occasioned to any person as a result of action or refraining from action as a result of any item herein. This brochure is not a substitute for professional advice. Printed and published by © Moore Stephens LLP, a member firm of Moore Global Network Limited ("MGNL"), a worldwide association of independent firms. MGNL and its member firms are legally distinct and separate entities. Moore Stephens LLP (Unique Entity No : T08LL0862H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A).

Copyright 2020 Moore Stephens LLP. All rights reserved.