

SINGAPORE - A MAJOR MARITIME HUB

Moore Stephens LLP



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Singapore 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 (Ship) (“MSI – ML (Ship)”) Scheme
4. Maritime Sector Incentive – Maritime Leasing (Container) (“MSI – ML (Container)”) Scheme
5. Maritime Sector Incentive – Supporting Shipping Services (“MSI - SSS”) Scheme

To better align Singapore tax regime for shipping entities with common international practices, an alternative net tonnage basis of taxation (“NTT basis”) is available for qualifying shipping enterprises under the MSI-SRS, MIS-AIS and MSI-ML Schemes with effect from Year of Assessment (“YA”) 2024.

Under the NTT basis, the electing entity will compute its tax base by reference to the net tonnage of its qualifying ships. This is based on the deemed income per the table below and the number of days that the ships were in operation during the basis period of the YA.

Net tonnage (“NT”) of qualifying ship	Deemed income for each day that the qualifying ship is used to derive qualifying income	
	Conventional ship	Green Ship
First 1,000 net tons (NT)	S\$0.90 for each 100 NT*	S\$0.60 for each 100 NT*
First 1,000 NT	S\$9.00	S\$6.00
Next 9,000 NT	S\$0.60 for each 100 NT*	S\$0.60 for each 100 NT*
First 10,000 NT	S\$63	S\$0.30 for each 100 NT*
In excess of 10,000 NT	S\$0.30 for each 100 NT*	S\$0.30 for each 100 NT*

* applied for each 100NT rounded down to the nearest

Once made, the election is irrevocable and is ‘locked-in’ until the end of the MSI tenure. Re-election is allowed upon the renewal of the MSI award by MPA.

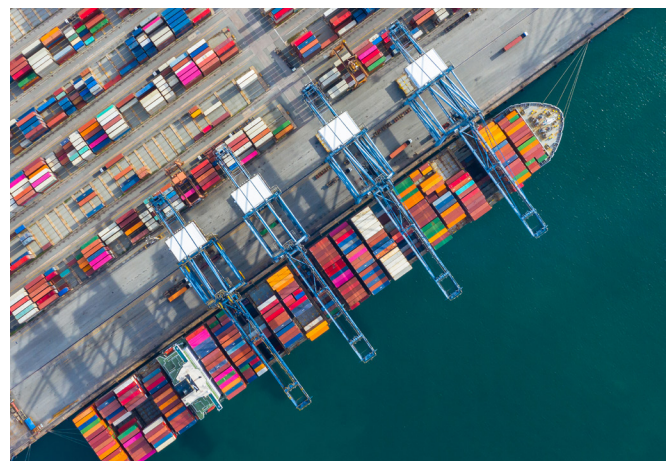
1) MSI - SRS

Under this scheme, introduced since 1969, 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 mobilisation fees, demobilisation 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:

- 1 ship aggregating at least 40,000 NT
- 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:

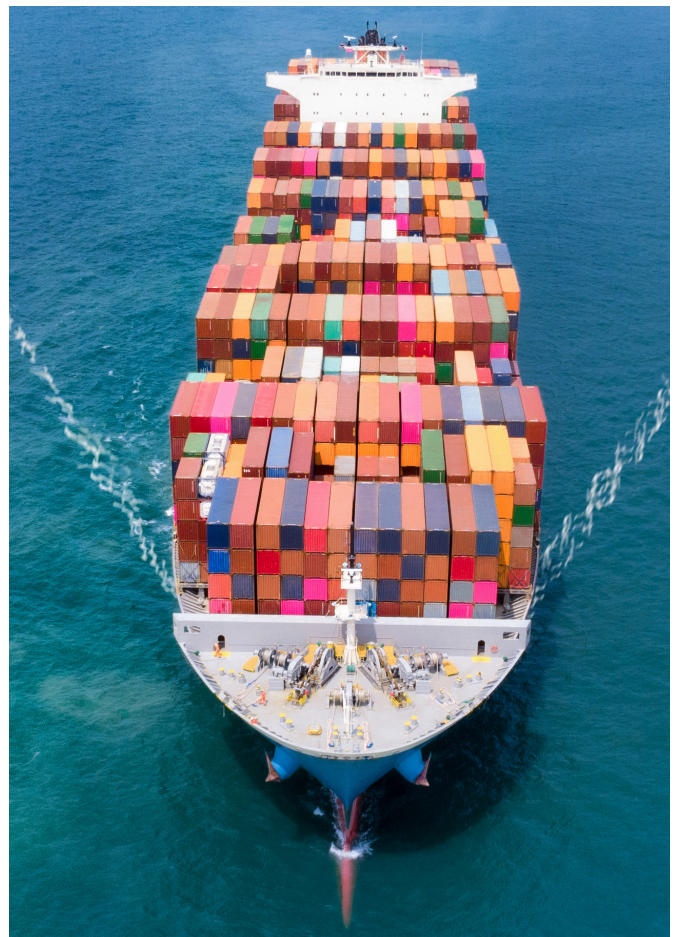
- The fee for an ordinary registration is S\$2.50 per NT to the nearest tonne subject to a minimum of S\$1,250 (500 NT) and a maximum of S\$50,000 (20,000 NT).
- The fee for registration under the BTS is S\$0.50 per NT subject to a minimum of S\$1,250 (2,500 NT) and a maximum of S\$20,000 (40,000 NT)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

2) (A) MSI – AIS

The Approved International Shipping Scheme was introduced since 1991 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 a 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, ships for offshore renewable energy activity or offshore mineral activity, and subsea distribution of renewable energy generated onshore (with effect from 19 February 2025).



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.

Application for this scheme has to be made on or before 31 December 2031.

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. Assets leased-in from third parties under Finance Lease is allowed as qualifying assets.

Application for this scheme has to be made on or before 31 December 2031. 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. Assets leased-in from third parties under Finance Lease is allowed as qualifying assets.

Application for this scheme has to be made on or before 31 December 2031. 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 and to encourage shipping conglomerates to set up their corporate services functions in Singapore.

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 2031.

Qualifying approved supporting shipping services cover:

- Ship broking;
- Forward freight agreement (“FFA”) trading;
- Ship management;
- Ship agency;
- Freight forwarding and logistic services;
- Emission management services (with effect from 19 February 2025);
- Maritime technology 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;
- Use of any ship for offshore renewable energy activity or offshore mineral activity.

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 2031, 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.

- e. To support the ownership and management of ships and sea-containers from Singapore by non-MSI companies, the Approved Shipping Financing arrangement (ASFA) award was introduced with effect from 19 February 2025.

Approved entities are exempt from withholding tax on interest and related payments made to non-resident lenders for qualifying ship and container arrangements made on or before 31 December 2031.

ASFA award recipients are also exempted from withholding tax on ship and container lease payments to non-resident lessors under Finance Lease arrangement, excluding payments through a permanent establishment in Singapore.

To enjoy the withholding tax exemption, companies would need to submit a self-declaration form for each financing arrangement obtained.

MOORE STEPHENS LLP, SINGAPORE

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