

BUDGET 2011

SECTOR-SPECIFIC TAX CHANGES FOR BUSINESSES

Name of Tax Change	Current Treatment	New Treatment									
ESTABLISH SINGAPORE AS THE LEADING INTERNATIONAL MARITIME CENTRE											
Maritime Sector Incentive (“MSI”)	<p>Singapore currently has a suite of tax incentives targeted at ship operators, maritime lessors and providers of certain supporting shipping services. These incentives have different incentive tenures and application windows (if any). The table below summarises the current tax incentives and their benefits:</p> <table border="1" data-bbox="772 818 1325 1333"> <thead> <tr> <th data-bbox="772 818 863 891">S/N</th> <th data-bbox="863 818 1083 891">INCENTIVE</th> <th data-bbox="1083 818 1325 891">TAX BENEFIT</th> </tr> </thead> <tbody> <tr> <td data-bbox="772 891 863 1187">1.</td> <td data-bbox="863 891 1083 1187">Section 13A of the Income Tax Act</td> <td data-bbox="1083 891 1325 1187">Tax exemption on qualifying income derived from operating Singapore-flagged and foreign-flagged¹ ships.</td> </tr> <tr> <td data-bbox="772 1187 863 1333">2.</td> <td data-bbox="863 1187 1083 1333">Approved International Shipping Enterprise</td> <td data-bbox="1083 1187 1325 1333">Tax exemption on qualifying income derived from operating</td> </tr> </tbody> </table>	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	Tax exemption on qualifying income derived from operating	<p>All existing tax incentives for the maritime sector will be streamlined and consolidated under the new Maritime Sector Incentive (“MSI”) with effect from 1 June 2011. New enhancements will also be introduced under the MSI. Existing incentive recipients will transit automatically to the MSI from 1 June 2011. These changes aim to simplify and enhance tax incentives for the maritime sector, and to promote Singapore as an International Maritime Centre.</p> <p>There are three broad categories under the MSI:</p> <ul style="list-style-type: none"> a) International Shipping Operations, b) Maritime (Ship or Container) Leasing, and c) Supporting Shipping Services. <p><i>International Shipping Operations</i></p> <p>This category aims to attract ship operators</p>
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	Tax exemption on qualifying income derived from operating									

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

		(“AIS”) scheme	foreign-flagged ships	<p>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 AIS scheme will transit to this category of the MSI.</p> <p><i>(new)</i> Entities under the International Shipping Operations category of MSI will, subject to conditions, enjoy automatic withholding tax (“WHT”) 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.</p> <p><i>(new)</i> A new award will be introduced for qualifying entry players. 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.</p> <p><u><i>Maritime (Ship or Container) Leasing</i></u></p> <p>This category of the MSI aims to promote the growth and development of ship and container financing in Singapore. Existing</p>
	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,	

² Automatic WHT exemption in respect of foreign-flagged ships will apply only to approved ship operators under the MSI.

			freight forwarders and logistics operators	<p>entities enjoying benefits under the current MFI scheme will transit to this category of the MSI and enjoy the same tax benefits. The sunset clause for this category is 31 May 2016.</p> <p><i>(new)</i> Approved ship lessors will, subject to conditions, enjoy automatic WHT 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.</p> <p><u>Supporting Shipping Services</u></p> <p>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. Under this category, a new 5-year award will offer 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services. Qualifying supporting shipping services include:</p> <p>a) Ship management, ship agency, and shipping freight/logistic services (currently covered under the ASL scheme);</p>
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		
	<p>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.</p>			

		<p>b) Ship broking and FFA trading (currently covered under the ship broking and FFA trading incentive); and</p> <p>c) (new) Qualifying corporate services.</p> <p>The sunset clause for this category of MSI award will be 31 May 2016.</p> <p>The Maritime and Port Authority of Singapore (“MPA”) will release further details by end May 2011.</p>
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