

# **IRAS e-Tax Guide**

## **GST Guide for Free Trade Zones (FTZs), Warehouses and Excise Factories**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

## **GST Guide for Free Trade Zones (FTZs), Warehouses and Excise Factories**

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## 1 Introduction

### 1.1 Who should read this Guide?

You should read this Guide if:-

- (a) You are importing and exporting your own goods via Free Trade Zones (FTZs).
- (b) You are storing your own goods inside Free Trade Zones (FTZs), Zero-GST/Licensed/Bonded warehouses (hereafter referred to as “Warehouses”) and Excise Factories (EFs).
- (c) You are trading your own goods within FTZs, Warehouses and EFs.

### 1.2 Scope of this Guide

This Guide explains the GST treatment for goods stored in FTZs, Warehouses and EFs, as clarified through the 2010 legislative amendments to Section 37 of the GST Act.

### 1.3 Relevant legislation

The relevant legislation governing transactions within FTZs, Warehouses and EFs are as follows:-

#### Goods and Services Tax Act

- (a) Sections 7 and 8: Importation of goods into Singapore
- (b) Section 18: Value of imported goods
- (c) Section 37: Supply of goods in FTZs, Warehouses and EFs
- (d) Section 21: Supply of services in FTZs, Warehouses and EFs
- (e) Section 26: Application of Customs Legislation
- (f) GST General Regulation 43: Petroleum products removed from warehousing regime

#### Customs Act

- (a) Section 3: Definition of Terms
- (b) Free Trade Zone Act

### 2 Key Concepts

The GST treatment for goods stored in FTZs, Warehouses and EFs is governed by several provisions in the Customs Act and Section 37 of the GST Act. These legislation refer to the following key concepts.

#### Importation and Customs Territory

- 2.1 Strictly speaking, goods are treated as “imported” once they are brought into customs territory<sup>1</sup>. “Custom territory” means Singapore and the territorial waters thereof but excluding any Free Trade Zone.
- 2.2 Generally, all goods imported into Singapore are subject to GST, regardless of whether the person importing is GST-registered or not, and whether there is a corresponding sale or not. The importer is required to take up the appropriate import permit with Singapore Customs and pay GST upon importation, unless the goods qualify under any import relief or import GST suspension or deferment schemes<sup>2</sup>. This applies for both dutiable and non-dutiable goods. The rest of this Guide will refer to this GST payable upon this act of importation as “Import GST”.
- 2.3 Import GST is levied on the value of the imported goods, which includes the Cost, Insurance and Freight (CIF) plus other chargeable costs and the duty payable (if applicable). Where supplies had taken place prior to goods being removed from customs control, valuation of import GST is to be based on the value of last supply (also usually known as the last selling price) and all other costs, charges and expenses incidental to the sale and delivery of the goods up to the port and place of importation.<sup>3</sup>

#### Goods under Customs Control

- 2.4 When goods are under customs control, such goods (both dutiable and non-dutiable) may not be removed except with the permission of the proper officer of

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<sup>1</sup> Section 3(1) of the Customs Act.

<sup>2</sup> You may visit Singapore Customs website at <http://www.customs.gov.sg> for more information on import relief and warehouse schemes administered by Singapore Customs.

<sup>3</sup> Section 18 of the GST Act provides for the value of imported goods to be determined in accordance with the valuation method prescribed in Section 22 of the Customs Act, aggregated with taxes, duties and other charges levied either outside or, by reason of importation, within Singapore (except GST) where they have not been included.

the Singapore Customs<sup>4</sup>. Upon removal from customs control, import GST is payable on the goods, unless they qualify under any import relief or import GST suspension or deferment scheme.

- 2.5 This is usually also the duty point for these goods. You, as the person removing the goods from customs control, are required to take up an import permit with Singapore Customs for the GST payment.

### Duty Point

- 2.6 The payment of duty (if any) and import GST is required at the “duty point”<sup>5</sup>. “Duty point” is defined as follows for dutiable and non-dutiable goods respectively:

- (a) For goods which are subject to customs and/or excise duty point, it is the time when the requirement to pay the customs or excise duty takes effect, whichever is the earlier; and
- (b) For goods which are not subject to customs and/or excise duty, it is the time when the goods are removed out of customs control.

## 3 GST Treatment for Goods in FTZs

### What are FTZs?

- 3.1 Free Trade Zones (FTZs) are designated areas in Singapore to encourage entrepot trading. The primary function of a FTZ is to facilitate the transshipment of overseas goods via Singapore i.e. goods placed temporarily in the FTZ before being loaded onto another ship or aircraft for export without requiring customs clearance. For more information on the list of FTZs in Singapore, please refer to [www.customs.gov.sg](http://www.customs.gov.sg) or contact Singapore Customs at (+65) 6355 2000.

### Overseas Goods versus Local Goods

- 3.2 Goods in FTZs can be classified into 2 types:
- (i) Overseas goods – Goods from outside Singapore that have landed into the FTZ.

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<sup>4</sup> Section 3(2) of the Customs Act

<sup>5</sup> Section 8(4) of the GST Act provides for import GST to be levied as if it were customs or excise duty and as if all goods imported into Singapore are dutiable.

- (ii) Local goods – Goods that have previously cleared customs control and re-entered FTZ and/or locally-manufactured goods that are placed into FTZ.

### GST Treatment for movement of overseas goods in and out of FTZ

3.3 You do not need to pay import GST when you land your overseas goods into the FTZ. However, when you remove the overseas goods from the FTZ into customs territory, import GST becomes payable and you need to take up an import permit with Singapore Customs for the GST payment. This is unless you are removing the goods under the following circumstances:-

- (i) You are an approved business under an import GST suspension scheme such as the Major Exporter Scheme (MES), Approved 3rd Party Logistics Company Scheme (A3PL), Approved Import Suspension Scheme (AISS) and Import GST Deferment Scheme (IGDS);
- (ii) You have been granted relief from import GST by Singapore Customs under the GST (Import Reliefs) Order; or
- (iii) You are moving the goods directly from the FTZ to a Zero-GST/Licensed/Bonded Warehouse or an Excise Factory.

3.4 As a GST-registered business, you are to report the imports as your taxable purchases and claim the corresponding input tax in your GST return. This is provided that you satisfy all the conditions for claiming input tax<sup>6</sup>.

3.5 However, if you move your overseas goods from FTZ out of Singapore (i.e. transshipment) without entering customs territory, it is outside the scope of GST. Thus, you are not required to report such movement of overseas goods in your GST return.

### Supply of overseas goods within FTZ

3.6 A supply takes place in the FTZ as long as it involves:

- (i) The goods being removed from the FTZ; or
- (ii) The goods being made available to the customer while they are in the FTZ.

However, all supplies of overseas goods taking place in a FTZ are disregarded for GST purposes. Therefore, you need not collect output GST on such supplies.

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<sup>6</sup> Sections 19 and 20 of the GST Act

- 3.7 Consequently, you do not have to report the supplies in your GST returns or issue tax invoices to your customers since they are treated as out-of-scope supplies. However, you should maintain documentary evidence to support that the GST treatment has been correctly applied for such transactions.

### GST Treatment for movement of local goods in and out of FTZ

- 3.8 Local goods may be moved from customs territory into a FTZ, usually for exports out of Singapore. In such case, you are required to report the movement of local goods out of Singapore in your GST return as zero-rated supplies<sup>7</sup>.
- 3.9 Nevertheless, there is no import GST implication for movement of local goods into FTZ unless you subsequently remove the goods from the FTZ back into customs territory. In such case, you are required to take up an import permit with Singapore Customs and pay import GST on your local goods re-entering customs territory. The only exceptions are under the following circumstances:-
- (i) You have been granted relief for the import GST by Singapore Customs, for example in the case of cargo re-entering customs territory due to valid business reasons such as overseas order cancellation or vessel/aircraft delays; or
  - (ii) You are re-importing GST-paid goods under the Company Declaration Scheme (CDS) from the Airport Logistics Park of Singapore (ALPS) administered by SC.

### GST Treatment for supply of local goods within FTZ

- 3.10 Supplies of local goods in a FTZ are subject to the same GST rules applicable to any other supplies of goods in Singapore. Hence, you should standard-rate your supplies of local goods in a FTZ and account for output GST. You may however zero-rate your supplies if the goods are intended for:
- (i) Export; or
  - (ii) Use or installation on a qualifying ship (by way of sale or lease).
- 3.11 You must be able to satisfy the conditions and documentary requirements set out in our e-Tax Guides - “A Guide on Export” and/or “GST Guide on the Marine Industry-2010 Budget Changes” accordingly.

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<sup>7</sup> You are required to comply with the documentary evidence and conditions to support the zero-rating of your exports. For more details, please refer to our etax guide “A Guide on Exports” available in IRAS website.

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3.12 The following table illustrates the GST treatment and reporting requirement for goods in FTZ.

Scenario(s)		Overseas goods	Local goods
1	Movement of goods from outside Singapore into FTZ	Outside the scope of GST <ul style="list-style-type: none"> <li>No reporting required</li> </ul>	Not applicable
2	Supply of goods in FTZ	Supply disregarded and no GST applicable. <ul style="list-style-type: none"> <li>No reporting required</li> </ul>	Taxable supply and GST chargeable <ul style="list-style-type: none"> <li>Report as standard-rated (for local supply) or zero-rated supply (for export) and account output tax if any.</li> </ul>
3	Movement of goods from FTZ out of Singapore	Outside the scope of GST <ul style="list-style-type: none"> <li>No reporting required</li> </ul>	<ul style="list-style-type: none"> <li>To report as zero-rated supply</li> </ul>
4	Movement of goods from FTZ into Customs Territory	Import GST payable except where:- <ul style="list-style-type: none"> <li>(i) You have been granted a temporary import relief; OR</li> <li>(ii) You are an MES, A3PL, AISS or IGDS business; OR</li> <li>(iii) You are moving the goods into another FTZ, a Warehouse or an EF.</li> </ul> <ul style="list-style-type: none"> <li>Report as taxable purchases and claim input tax</li> </ul>	Import GST payable except where:- <ul style="list-style-type: none"> <li>(i) You have been granted a temporary import relief</li> </ul> <ul style="list-style-type: none"> <li>Report as taxable purchases and claim input tax</li> </ul>

### 4 GST Treatment for Goods in Warehouses

#### What are Zero-GST/Licensed/Bonded Warehouses?

- 4.1 These refer to warehouses licensed under either the Customs Act or GST Act for the storage of overseas goods, with import GST and customs or excise duty suspended (hereafter referred to as “Warehouses”). Local goods are generally not permitted to be stored in these Warehouses. Bonded Warehouses are generally catered for non-dutiable petroleum products while Licensed Warehouses and Zero-GST Warehouses store other dutiable and non-dutiable goods respectively. For more information on the Warehouses in Singapore, please refer to [www.customs.gov.sg](http://www.customs.gov.sg) or contact Singapore Customs at (+65) 6355 2000.

#### Movement of Goods in and out of Warehouses

- 4.2 Import GST is deferred on your overseas goods moved into and stored in a Warehouse. Import GST remains not payable if you then export the goods directly from the Warehouse.
- 4.3 However when you remove the overseas goods from the Warehouse, import GST is payable and you need to take up an import permit with Singapore Customs for the GST payment. This is unless you are removing the goods under the following circumstances.
- (i) You are an approved business under an import GST suspension scheme such as the Major Exporter Scheme, Approved 3<sup>rd</sup> Party Logistics Company Scheme, Approved Import Suspension Scheme and Import GST Deferment Scheme;
  - (ii) You have been granted relief for the import GST by Singapore Customs under the GST (Import Reliefs) Order; or
  - (iii) You are moving the goods directly from the Warehouse to another Warehouse, a FTZ or an EF; or
  - (iv) You are removing petroleum products from the Warehouse under Regulation 43 (see Paragraph 6).
- 4.4 In terms of GST reporting, you should report the movement of goods into the Warehouse as your taxable purchases and subsequent export if any, as zero-rated supplies. This is to facilitate tracking of the goods movement, although no GST is applicable. Where the goods are removed from the Warehouse for local consumption, you should report them as your taxable purchases again and

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claim the corresponding input tax based on the relevant import permits, subject to the conditions for claiming input tax.

### Supply of goods within Warehouse

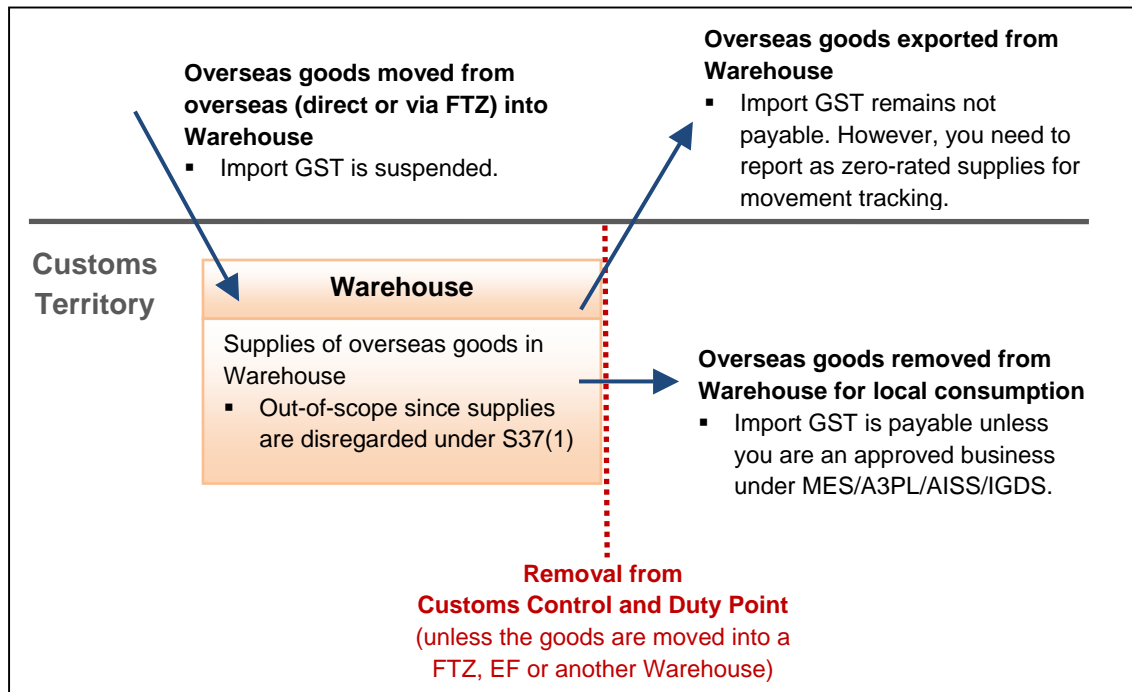
4.5 A supply takes place in the Warehouse as long as it involves:

- (i) The goods being removed from the Warehouse; or
- (ii) The goods being made available to the customer while they are in the Warehouse.

All supplies of overseas goods taking place in the Warehouse are disregarded for GST purposes. Hence, you do not need to collect output GST on such supplies.

4.6 Consequently, you do not have to report the supplies in your GST returns or issue tax invoices to your customers since they are treated as out-of-scope supplies. However, you should maintain documentary evidence to support that the GST treatment has been correctly applied for such transactions.

4.7 The following diagram illustrates the GST treatment for goods in a Warehouse.



### **5 GST Treatment for Locally-Manufactured Goods in Excise Factories**

#### What are Excise Factories (EFs)?

- 5.1 Excise Factories (EFs) refer to warehouses licensed under Section 63(1) of the Customs Act for the manufacture of local goods such as intoxicating liquor, tobacco and petroleum, which are subject to excise duty.

#### GST Treatment if there is a Supply of Goods in EFs

- 5.2 Under normal GST rules, supplies of locally-manufactured goods in an EF would be taxable supplies. However, Section 37(2) of the GST Act has disregarded all such supplies, except for the last supply. This means that where there are more than one supply of locally-manufactured goods taking place in an EF, GST is payable only on the last supply when the goods are removed from the EF. You, as the person removing the goods, are required to take up a permit for the GST payment to Singapore Customs based on the value of such last supply (commonly also known as “last selling price”) together with the relevant duty, at the duty point.

- 5.3 The only exceptions are under the following circumstances:-

- (i) You are moving the goods directly from the EF to a Warehouse or a FTZ.
- (ii) You are removing petroleum products from the EF under Regulation 43 (see Paragraph 6).

- 5.4 For GST reporting purposes, you only need to include the value of the last supply and corresponding GST paid to Singapore Customs as part of your taxable purchases and input tax in your GST returns respectively.

#### GST Treatment if there is No Supply of Goods in the EF

- 5.5 No GST is payable on locally manufactured goods removed from an EF if there is no supply or sale before payment of the excise duty.
- 5.6 You may however need to pay import GST on the raw materials used to manufacture those goods, depending on whether it has been paid previously.

### Import GST-Unpaid Raw Materials<sup>8</sup>

- 5.7 Import GST may have earlier been suspended on the raw materials if they were imported directly from overseas and/or remained under customs control (for example, in a Warehouse) up to the time they were moved into the EF for manufacturing.

In such case, Section 37(3) of the GST Act deems the raw materials as having been removed out of customs control at the time of manufacturing.

- 5.8 This has the effect of triggering import GST payment suspended earlier on the raw materials. You, as the person removing the locally-manufactured goods (as the raw materials would have gone into manufacturing these goods) from the EF for local consumption, are required to take up an import permit for the GST payment to Singapore Customs at the duty point based on the value of the raw materials .
- 5.9 The only exception is where the locally-manufactured goods are petroleum products being removed from the EF under Regulation 43 (see Paragraph 6).

### GST-Paid Raw Materials

- 5.10 No further import GST is applicable if import GST has earlier already been paid on the raw materials used for the locally-manufactured goods. This is the case where the raw materials had been imported directly into customs territory.

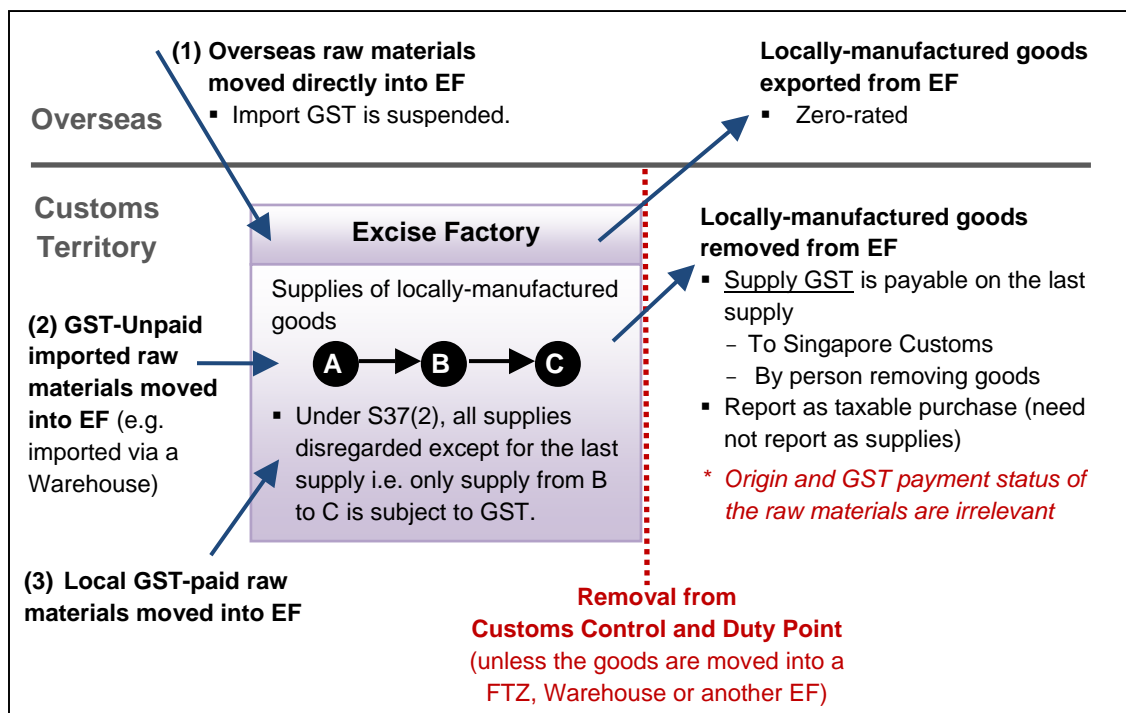
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<sup>8</sup> Exclude goods where GST has previously been suspended under Major Exporter Scheme (MES).

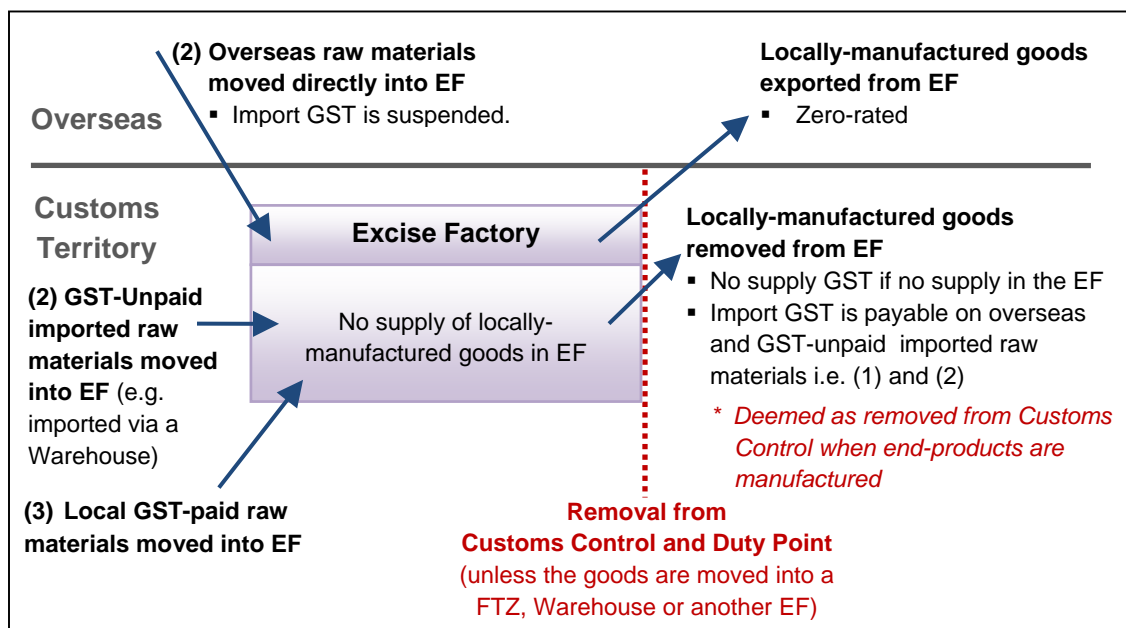
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5.11 The following diagrams illustrate the GST treatment for goods in EF in situation where there is a supply and where there is no supply.

### (A) If there is a supply within the EF



### (B) If there is no supply within the EF



### **6 Further GST Relief for Petroleum Products**

- 6.1 A further GST relief is available under Regulation 43 of the GST (General) Regulations for GST-registered businesses removing petroleum products from Warehouse or EF into customs territory. Under this provision, you are relieved from paying:-
- (i) Import GST on removal of overseas petroleum products from a Warehouse (see paragraph 4.3)
  - (ii) Supply GST on the last supply of locally-manufactured petroleum products in an EF (see paragraph 5.2)
  - (iii) Import GST on GST-unpaid raw petroleum materials used for locally-manufactured goods in an EF (see paragraph 5.8)
- 6.2 To be eligible for the above relief, you must satisfy the following conditions:
- (i) You are GST-registered;
  - (ii) You are removing the petroleum products for the purpose of your business;
  - (iii) The petroleum products are for your principal trade, profession or vocation; and
  - (iv) You satisfy all other conditions that the Comptroller has imposed, if any.
- 6.3 No prior approval is needed from the Comptroller to avail yourself to the above relief, so long as you satisfy the conditions stated.

### **7 Temporary Removal of Goods from Warehouses for Auctions and Exhibitions**

- 7.1 A temporary removal scheme was introduced in April 2009 to promote auctions and exhibitions as well as specialized storage facilities in Singapore (hereafter referred to as "Scheme").
- 7.2 Under the Scheme, you can temporarily remove non-dutiable goods and selected dutiable wines from a Warehouse for qualifying auctions and exhibitions including related activities, without the payment of import GST. Supply GST is also suspended on your sales of these goods at the auction and exhibition venues. This is provided that you return these goods to a Warehouse after the auction or exhibition event.

- 7.3 In the event that you fail to return the goods to a Warehouse after the event, you are required to take up a payment permit to pay the import GST suspended earlier to Singapore Customs. You, as the seller, must also account for GST on sales of the goods at the auction or exhibition venue, if you GST-registered and the goods are delivered locally. If the goods are directly exported from the venue, you can zero-rate the sales provided that the relevant export documentation is maintained.
- 7.4 Prior approval needs to be sought from Singapore Customs if you wish to avail yourself to the above Scheme.

### **8 Other Scenarios of Goods and Services Consumed or Supplied in FTZ, Warehouse or Excise Factory**

#### Unaccounted or Consumed Goods

- 8.1 You are required to take up an import permit with Singapore Customs and pay import GST on overseas goods used or consumed within a FTZ. Similarly, if you consume goods in a Warehouse or they are for some other reasons, unaccounted for, they shall be deemed to have been removed from the Warehouse and you need to pay the import GST to Singapore Customs.

#### Business Assets Put to Private Use

- 8.2 If you put your business assets to private use in the FTZ, Warehouse or EF, you are deemed to be supplying a service for GST purposes<sup>9</sup>. You are required to account for GST on such supply in your GST return, unless the supply qualifies as an international service.

#### Rental of Warehousing Space

- 8.3 The rental of warehousing space in the FTZ, Warehouse or EF is considered as a local supply of goods<sup>10</sup> in Singapore and you are required to account for GST on such supply in your GST return.

#### Supplies of Services

- 8.4 Supplies of services in the FTZ, Warehouse or EF are standard-rated, unless they qualify for zero-rating as international services under Section 21(3) of the GST Act.

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<sup>9</sup> Paragraph 5(3) of Second Schedule to the GST Act.

<sup>10</sup> Paragraph 4 of Second Schedule to the GST Act

### 9 Contact Information

For enquires on this e-Tax Guide, please contact:

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