

# **GOODS AND SERVICES TAX**

## **Approved Marine Fuel Trader (MFT) Scheme**



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## **1. Overview of the Approved Marine Fuel Trader (MFT) Scheme**

### **1.1 Introduction**

The Minister for Finance has announced that the introduction of a scheme to relieve GST on local purchases of certain specified goods, which will be exported. The new scheme to be known as Approved Marine Fuel Trader Scheme (henceforth refer as Approved MFT) shall apply to qualifying businesses in the bunkering industry from 1 Jan 2005.

Under the Scheme, GST on the sale of approved marine fuel oil (henceforth refer as MFO) to Approved MFT businesses need not be charged and paid. However, the import of MFO would still attract GST unless the importer is an approved business under the Major Exporter Scheme (MES).

This e-tax guide explains the mechanism, qualifying criteria and conditions for the scheme pursuant to GST (General) (Amendment No 2) Regulations 2004.

### **1.2 Who can apply for Approved MFT Scheme?**

This Scheme is for qualifying businesses in the bunkering industry, holding a valid bunkering license with Maritime Port Authority of Singapore (MPA).

Bunkering businesses that satisfy ALL the qualifying criteria may apply for the Scheme (please refer to Section 2.1 for the list of the qualifying criteria).

### **1.3 What are the benefits of the Approved MFT Scheme?**

An Approved MFT business enjoys the following benefits:

- Payment of GST is not required on local purchase of MFO.

This reduces cash flow from having to pay GST to the supplier and then claiming it back from IRAS.

- No administrative fees

Currently, no administrative fees will be charged, upon application or approval for the Scheme.

#### **1.4 How does the Approved MFT Scheme work?**

A GST-registered business approved under the Approved MFT Scheme may purchase MFO without the payment of GST charged on the value of the transaction. It is the responsibility of the buyer (i.e. as an approved business under the MFT scheme) to provide the supplier with its current status under the scheme and also to ensure that the supplier provides a tax invoice with the appropriate annotation (i.e. as per Section 3 of this guide).

The list of approved businesses under the Approved MFT Scheme can be found at the IRAS website: <http://www.iras.gov.sg>.

An illustration of the GST treatment under the Approved MFT Scheme can be found in Appendix 1.

#### **1.5 What is marine fuel oil (“MFO”)?**

MFO is used by ocean going vessels for their engines e.g. MFO 380cst. This would exclude other distillates like MDO and MGO. Based on the Singapore Standard for bunkering (i.e. Code of Practice for bunkering by bunker tankers (CP 60), the quality of MFO should conform to or be better than the standards set by the International Organization for Standardization (ISO) for "Petroleum Products - Fuels (Class F) - Specifications of marine fuels" [ISO 8217]).

In the event of a dispute on the definition of MFO, the Comptroller of GST (henceforth refer as Comptroller) may rely on Maritime and Port Authority of Singapore and/or qualified third party surveyors to distinguish the type of marine fuel (e.g. between MFO and other non-MFO) as governed by the standards set by Maritime and Port Authority of Singapore.

## **2. Qualifying Criteria And Conditions Of The Approved MFT Scheme**

### **2.1 What are the qualifying criteria?**

To qualify for the Approved MFT Scheme, the business must satisfy ALL the following requirements:

- (a) The business is incorporated or registered in Singapore.
- (b) The primary business is supplying bunker fuel and holds a valid bunkering license with Maritime and Port Authority of Singapore with a validity period of at least 9 months at the time of application.
- (c) The business is primarily engaged in trading of bunker fuel (including the qualifying product, MFO) for use on board ocean-going ships. As a general guide, the Comptroller considers having 50% or more of the total sales in a 12-month period as being primarily engaged in trading of bunker fuel<sup>1</sup>.

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<sup>1</sup> Please refer to Appendix 3 for an illustration.

- (d) The business must qualify as a taxable person, registered with the Comptroller and have good compliance records in terms of tax compliance and payment.
- (e) The business must have good internal controls and maintain high standards of accounting and record-keeping. It must also comply with all the requirements of the scheme that are set out by the Comptroller<sup>2</sup>.
- (f) The business must assume full responsibility and accountability of GST should it fail to meet any of the conditions as required under the scheme after it is approved to operate under the scheme.

The Comptroller may exercise his discretion to vary the requirements or impose additional requirements for the approval of the application.

## **2.2 What are the responsibilities for businesses operating under the Approved MFT Scheme?**

The approved business must:-

- Furnish the MFO suppliers with a copy of the approval letter stating the validity period of their approved MFT status (to substantiate their purchase of MFO without the payment of GST);
- Maintain separate records for the purchase/sale of MFO;
- Be able to extract the purchase / sales records of MFO upon the request from the Comptroller;
- Comply with all the accounting and record-keeping requirements that the Comptroller may determine from time to time (see Section 3);
- Notify all of its MFO suppliers immediately when it is aware that its Approved MFT Scheme status is to be revoked or not renewed;
- Notify the Comptroller immediately when it is aware that its bunker license is to be revoked or not renewed.

## **2.3 What are the liabilities for non-compliance under the Approved MFT Scheme?**

Instances where non-compliance by an Approved MFT business under the scheme may arise are:

- (i) it ceases to be qualified under the Approved MFT scheme (e.g. its bunker license is revoked) and yet continues to remain in the scheme without notifying the Comptroller for its status to be revoked; or

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<sup>2</sup> Please refer to Section 3 of the guide.

- (ii) it fails to comply with any of the conditions imposed by the Comptroller as an approved business under the scheme.

In such instances, the Approved MFT business (buyer in the transaction) has to repay the tax that the supplier (due to the buyer's non-compliance under the scheme) did not previously charge<sup>3</sup>.

The buyer has to declare such tax as if it is the buyer's output tax (Box 6) in the GST return, where applicable. The Comptroller will not allow input tax credit on the repayment of such tax as this is due to the buyer's non-compliance under the scheme.

### **3. Record-Keeping And GST Accounting Requirements**

#### **3.1 *What record-keeping requirements must be met?***

As an Approved MFT business, it is required to:

- (a) maintain tax invoices issued by the supplier of MFO with the following annotation: "*Payment of GST is not required under the Approved MFT Scheme*";
- (b) maintain copies of delivery orders from the supplier of MFO duly acknowledged upon delivery;
- (c) maintain other documentary evidence (such as payment evidence, certification from marine surveyor, where applicable) to support the MFO purchase transactions;
- (d) record the value of purchase of MFO as taxable purchases (Box 5), without the corresponding input tax claimable (Box 7) as payment of GST is not required under the scheme.

#### **3.2 *How long must the records be kept?***

Like all other accounting documents, such records, accounts and documents that relate to the Approved MFT Scheme must be maintained for at least seven years, as prescribed under the GST law.

These records can be kept in either paper form or electronic media.

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<sup>3</sup> This does not extend to instances where it is due to supplier's omission to charge the tax and there is no reasonable basis to determine that the supplier's omission is the result of non-compliance on the part of the MFT business.

**3.3 How should a supplier of MFO (i.e. regardless of whether the supplier is an approved business under the scheme) declare the value of the sale to an approved business under the scheme in its GST return?**

The supplier of MFO should report the value of the sale of MFO as standard-rated supplies (Box 1) without the corresponding output tax due (Box 6) as payment of GST is not required under the scheme. The value reported should be based on the tax invoice issued by the MFO supplier.

**3.4 How should an approved business under the scheme declare the value of purchases from a MFO supplier in its GST returns?**

For the purchase of MFO from a MFO supplier, he should report value of the purchase of MFO as his taxable purchases (Box 5) without the corresponding input tax claimable (Box 7) as payment of GST is not required under the scheme. The value reported should be based on the tax invoice issued by the MFO supplier.

**4. Application for the Approved MFT Scheme**

**4.1 When can an application for the Approved MFT Scheme be made?**

A business that satisfies ALL the qualifying criteria and is able to comply with ALL the record-keeping and accounting requirements can apply for the scheme.

**4.2 Where can the application form for the Approved MFT Scheme be obtained?**

The application form is in the Appendix of this e-Tax Guide. A copy of the form can also be downloaded from IRAS website.

**4.3 How can applications for the Approved MFT Scheme be made?**

To apply for the Approved MFT Scheme, the following documents, together with the application form duly completed, must be sent to the Comptroller :

- A concise description of the nature of business, specifying the main products that the applicant is supplying and its major suppliers and buyers of MFO;
- A copy of the bunker license held by the applicant which will be valid at least for the next 9 months;
- A copy of the applicant's latest year-end audited financial statements. If the financial statements are not audited, please give the next recent audited financial statements together with a letter from your external auditor stating the status of the audit.

**4.4 *When will the outcome of application be made known?***

All the applicants will be notified on the outcome of the applications within one month from the date when a complete set of required documents is received.

**5. Other Administrative Details**

**5.1 *What is the validity period for the Approved MFT Scheme?***

Approval is usually valid for a period of 3 years from the date of approval. However, the Comptroller may, at his discretion, grant approval for a shorter specified period if he thinks fit.

If the approved business breaches any of the conditions or ceases to be qualified under the Scheme, the Comptroller may revoke the approval effective from the date when the business was in breach of the condition and / or became ineligible to the scheme, without prior notice.

**5.2 *Do the requirements for businesses upon de-registration from GST apply to the approved business under the scheme should it de-register from GST?***

When the business de-registers from GST, it has to fulfil all the requirements pertaining to de-registration like all other GST-registered businesses. Specifically, all the goods (including those received under the Approved MFT Scheme or any other scheme where GST was suspended) would form part of the assets/stocks where output tax is accountable, where applicable. This is despite that tax was not paid when the goods were purchased under the scheme.

**5.3 *How would the Approved MFT status be renewed?***

Upon expiry of the validity period or cancellation of the GST registration, the approved status will automatically lapse, unless it is renewed. The approved business will have to seek approval from Comptroller for renewal at least three months before the expiry date, if it wishes to operate under the scheme immediately after its expiry date of the earlier approval.

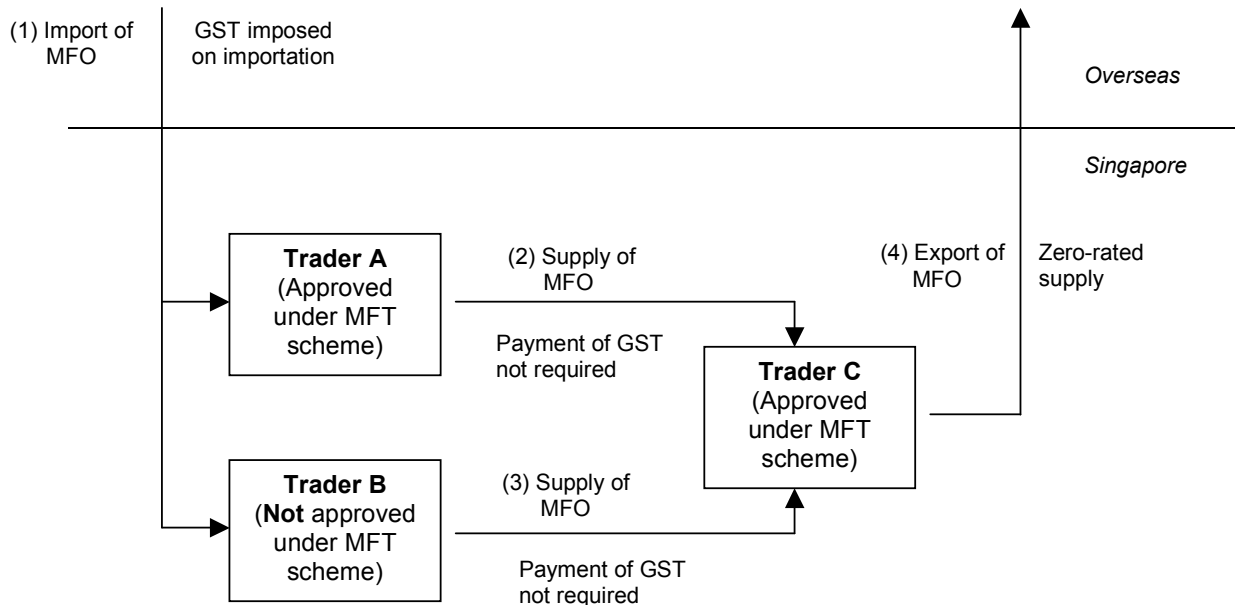
**5.4 *What are the supplier's responsibilities under the Approved MFT scheme?***

The supplier would not have any additional responsibilities under the Approved MFT scheme, other than the normal obligations as a GST-registered person under the GST Act.

1. Illustration On The Operations Under The Scheme

The following diagram illustrates the basic scenario under the MFT scheme:

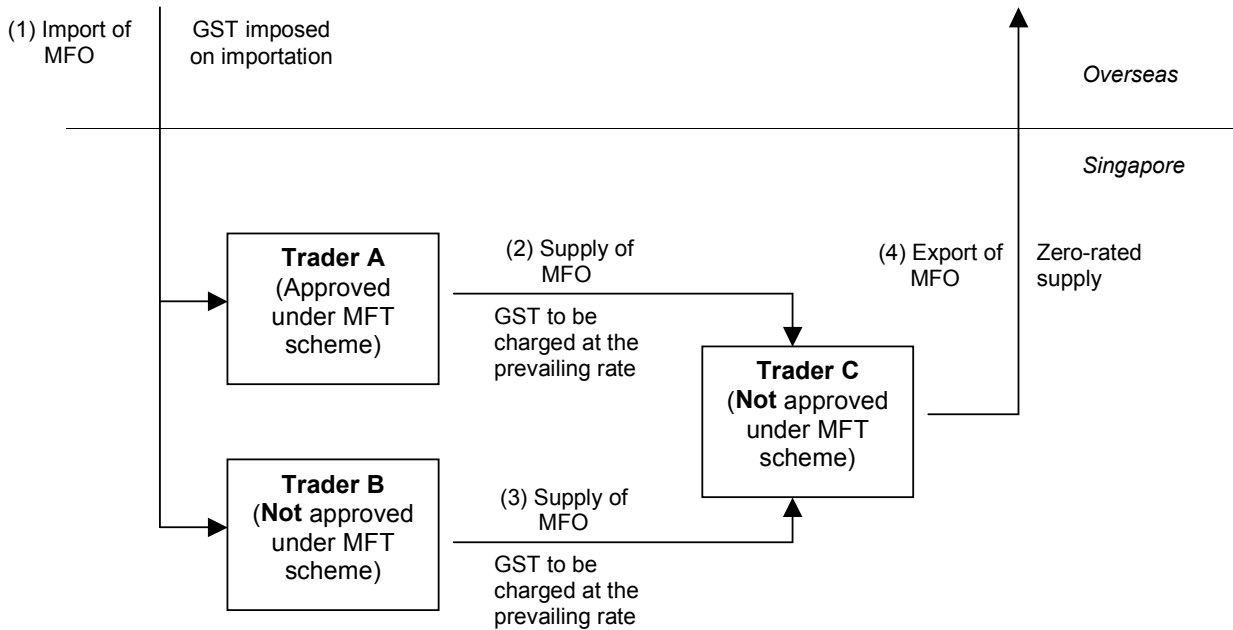
**(A) Where Suppliers (either approved or not approved under the scheme) sell MFO to an Approved business under the scheme.**



Under the scheme, only approved business can purchase MFO locally, without payment of GST

- (1) Traders may purchase MFO locally or import from overseas. Where MFO is imported by traders, GST on import of MFO will still be imposed unless the trader is an approved MES business.
- (2) Payment of GST is not required, when trader A (an approved business) sells MFO (as supplier) to trader C (as buyer), an approved business under the scheme.
- (3) Payment of GST is similarly not required, when trader B (not an approved business under the scheme) sells MFO (as supplier) to trader C (as buyer), an approved business under the scheme.
- (4) If the MFO is sold and delivered on board a ship / exported, such a supply of MFO can be zero-rated (i.e. provided proper export documents are maintained).

**(B) Where Suppliers (either approved or not approved under the scheme) sell MFO to a Non-approved business.**



Under the scheme, only approved business can purchase MFO locally, without payment of GST

- (1) Traders may purchase MFO locally or import from overseas. Where MFO is imported by traders, GST on import of MFO will still be imposed unless the trader is an approved MES business.
- (2) Trader A (an approved business under the scheme) will have to charge and account for the GST on the sale of MFO (as supplier) to trader C (as buyer who is not approved under the scheme).
- (3) Similarly, Trader B (not an approved business under the scheme) will have to charge and account for the sale of MFO (as supplier) to trader C (as buyer who is not approved under the scheme).
- (4) If the MFO is sold and delivered on board a ship / exported, such a supply of MFO can be zero-rated (i.e. provided proper export documents are maintained).

## APPENDIX 2

<b>MFT Scheme – Internal Control, Record-Keeping And GST Accounting Requirements For Approved Business</b>
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**An approved business must comply with the following requirements:**

### **A. Internal Control**

1. The approved business must be able to track sales of MFO where the payment of GST is not required, to the respective approved buyers under the scheme. It must maintain an inventory system to track the purchase of MFO.
2. The approved business must at all times, be able to provide all documentary evidence on:
  - The quantity and value of MFO purchased /sold;
  - The quantity and value of MFO purchased/ sold where the payment of GST is not required.
3. The approved business must perform a complete internal stock-take/inventory audit at least once a year (where applicable). Reconciliation reports must be prepared in all instances of discrepancies.
4. The approved business must produce the proper certification from licensed bunker surveyor who conducted sample check on its inventory or sale of MFO, when applicable upon request.

### **B. Record-keeping requirements**

1. The approved business must maintain proper documentation to track each sale/purchase of MFO under the scheme and it must be able to accurately produce such records (such as purchase order, collection of payment, delivery order duly acknowledged by the buyer, certification by the marine surveyor [where applicable], invoice from supplier) supporting each sale/purchase of MFO, based on the time of supply.
2. The approved business must be able to reconcile, from its accounting or business records, the value as well as quantity of MFO sold to approved buyers and/or purchased from suppliers under the scheme from all its other taxable supplies/purchases.

The approved business must readily produce all these documents upon request from IRAS.

### **C. GST Accounting**

1. The approved business should declare the value of MFO purchased/sold as its “Value of taxable purchases” (Box 5) or as its “Value of standard-rated supplies” (Box 1) in its GST returns based on the time of supply rule (i.e. based on the value reflected on Supplier’s invoice issued to the approved buyers) respectively. The corresponding “Input tax claimed” (Box 7) or “Output tax due”(Box 6) need not be reported as the payment of GST is not required under the scheme.
2. The approved business is required to issue tax invoice of such sale of MFO to approved business under the scheme with the following annotation: *“Payment of GST is not required under the Approved MFT Scheme”*.

### **D. Others**

If the approved business under the scheme wishes to purchase MFO without payment of GST, from any supplier, it must ensure that the supplier issues a proper tax invoice which contains the proper annotation<sup>4</sup> and comply with the necessary GST accounting on its sale of MFO.

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<sup>4</sup> *“Payment of GST is not required under the Approved MFT Scheme”*

**AN EXAMPLE ON THE COMPUTATION OF  
THE 50% QUALIFYING THRESHOLD**

ABC Pte Ltd

			<b>\$</b>	<b>Remarks/Explanation</b>
a	Value of bunker fuel sales (including MFO, MDO, MGO) <sup>5</sup>	:	2,000,000	Includes supplies made in the capacity of: <ul style="list-style-type: none"> <li>▪ section 33(2) local GST agent of overseas principals; and</li> <li>▪ own self</li> </ul>
b	Value of other revenue received	:	690,680	E.g. Rental, interest income
c	Total value of revenue received	:	2,690,680	
<b>Computation of qualifying threshold (exceeding 50%)</b>		<b>:</b>	<b>74.33%</b>	a ÷ c

Since the computed ratio of bunker fuel sales as a percentage of total value of revenue received exceeds 50%, ABC Pte Ltd meets the 50% qualifying threshold for the Approved MFT Scheme.

<sup>5</sup> Please note that under the Approved MFT scheme, only MFO can be purchased without the payment of GST by approved persons. MDO and MGO are specifically excluded under the MFT scheme. The inclusion of MDO and MGO in the abovementioned computation is merely to ascertain the eligibility of the applicants in meeting the qualifying threshold.

**GST F16  
APPLICATION FOR  
APPROVED MARINE FUEL TRADER (MFT) SCHEME**



The Comptroller of Goods and Services Tax  
55 Newton Road, Revenue House, Singapore 307987  
Tel: 1800-356 8633

INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

For more information, please visit IRAS website at <http://www.iras.gov.sg>

**Important Notes:**

- (1) This form may take 10 minutes to complete.
- (2) Please read Section 2 of our e-tax guide on the Approved Marine Fuel Trader (MFT) Scheme on the “Qualifying Criteria and Conditions of the Approved Marine Fuel Trader (MFT) Scheme” before completing this form.
- (3) You will need the following information/documents to fill in the form:
  - Value of MFO purchases for the past 12 months
  - Value of MFO sold for the past 12 months
  - Value of MFO sold as a percentage of total turnover in a 12 month period
  - Total value of bunker fuel sales
  - Total value of revenue received
  - Name of each of your major suppliers of MFO, the GST registration number and estimated value of purchases from each supplier
- (4) Please send this completed form by post or submit it at IRAS Taxpayer Services Centre.**

Please complete the form in BLOCK LETTERS and indicate ‘NA’ where not applicable and ‘0’ where the value is zero.

**Section 1: Applicant’s Particulars (Applicant refers to a qualifying MFT trader)**

Full name of the applicant

Registered address			
Block/House	#	Storey	Unit

Postal code	
GST Registration Number	

**Section 2: Business Details Of Applicant (Applicant refers to a qualifying MFT trader)**

	Yes	No
1. Do you hold a valid Bunker Fuel License issued by Maritime Port Authority of Singapore? If yes, please provide a copy of the license together with this application.		

2.	Do you physically trade in Marine Fuel Oil ("MFO")? If yes, please provide the following information:  Value of MFO purchases for the past 12 months: _____  Value of MFO sold for the past 12 months: _____		
3.	Does your total bunker fuel sales exceed 50% of your total revenue received? Please refer to the working example in Appendix 3 under the Approved MFT Scheme guide (Please provide the working example of your calculations together with this application).		
4.	Are you able to comply with our record-keeping requirements under the Scheme? (Please refer to Section 3 of our guide to the 'Approved Marine Fuel Trader (MFT) Scheme' for more details.) If not, please state clearly the reasons and areas where you are unable to comply (under a separate cover).		

**Section 3: Business Details Of Major Suppliers**

Please furnish details of your major suppliers whom you purchase MFO from. **Please ensure that you inform your suppliers upon your approval granted under Approved Marine Fuel Trader (MFT) Scheme.**

Name of major supplier	GST Registration Number	Estimated value of purchases (\$ per annum)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Please use a separate sheet if the space provided is not sufficient.

**Section 4: Declaration By Principal Officer Of Applicant**

I, (Dr/Mr/Mdm/Ms\*) \_\_\_\_\_ (NRIC./Passport No.) \_\_\_\_\_  
 (Full name of signatory in block letters)

declare that all the details and information given in this form and in all the accompanying documents are true and complete.

Signature : \_\_\_\_\_ Date : \_\_\_\_\_

Designation : \_\_\_\_\_ (must be either the Managing Director, Executive Director or Chief Financial Officer)

Company : \_\_\_\_\_  
 stamp

**Section 5: Contact Person**

Name : \_\_\_\_\_ Tel : \_\_\_\_\_

Designation : \_\_\_\_\_ Fax : \_\_\_\_\_

(01/05) **Please ensure that this form is fully completed and duly signed before submission.**

If there is insufficient space, please attach a separate sheet

\*Delete where not applicable