

# **IRAS e-Tax Guide**

**GST Guide for the  
Marine Industry –  
2011 Budget Changes  
(Second Edition)**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

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## 1 INTRODUCTION

- 1.1 As part of the Government's move to promote the Marine sector, the Minister for Finance in his 2011 Budget Statement announced new measures designed to benefit the Marine Industry [GST measures for the Marine Industry (Phase 2)]. The announced changes are business friendly measures aimed at simplifying GST compliance along the supply chain for the Marine Industry.
- 1.2 This guide, which has been prepared in consultation with the industry:-
- (i) explains the existing GST treatment and GST changes affecting the Marine Industry; and
  - (ii) sets out details of the new Approved Marine Customer Scheme.

## 2 OVERVIEW OF GST CHANGES

- 2.1 At a glance, the GST changes involve the following:-
- (i) Introduction of the Approved Marine Customer Scheme (AMCS) to allow ship owners or ship managers to purchase or rent zero-rated goods; and
  - (ii) Expansion of the scope of zero-rating of repair and maintenance services relating to ship parts or components.
- 2.2 From 1 Oct 2011 to 31 Dec 2011, the above GST changes were effected by way of Ministerial remission. To give legislative effect to these GST changes, the following amendments to the GST Act and its Subsidiary Legislation have been made with effect from 1 Jan 2012:

<b>GST Change</b>	<b>Supporting Legislation</b>
New Approved Marine Customer Scheme (AMCS) <i>Refer to paragraph 3 for more information</i>	Section 21B of the GST Act read with Regulation 106A of the GST (General) Regulations
Expanded scope of zero-rating of repair and maintenance services relating to ship parts or components <i>Refer to paragraph 4 for more information</i>	Section 21(3)(p) of the GST Act read with Paragraph 1 of Sixth Schedule of GST (International Services) Order

- 2.3 A summary of the changes, including the GST treatment before 1 Oct 2011, is provided in Appendix 1 of this guide.

### 3 SUPPLIES OF GOODS FOR USE OR INSTALLATION ON A SHIP LOCATED IN SINGAPORE

#### GST treatment before 1 Oct 2011

- 3.1 A supply relating to goods (whether by sale or lease) qualifies for zero-rating<sup>1</sup> if the Comptroller is satisfied that the goods are for:-
- (i) use as stores or fuel on a ship;
  - (ii) installation on a ship or a ship under construction;
  - (iii) use in the maintenance or operation of a ship; or
  - (iv) sale by retail as merchandise to persons carried on a ship.
- 3.2 The specified scenarios which qualify for zero-rating are explained in Appendix 5 of the e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#). Zero-rating is however, subject to the supplier maintaining the stipulated documents specific to each scenario.

#### GST treatment with effect from 1 Oct 2011

#### **Approved Marine Customer Scheme (AMCS)**

- 3.3 The Budget 2010 changes to zero-rating for supplies of above-mentioned goods were introduced as part of a suite of broad based changes designed to align the GST provisions to reflect the international character of ships and simplify compliance for the industry as a whole.
- 3.4 To further ease compliance for businesses procuring goods for use or installation on internationally bound commercial ships, a new GST scheme, the Approved Marine Customer Scheme (AMCS), was introduced with effect from 1 October 2011.
- 3.5 Under the scheme, approved businesses (henceforth referred to as 'Approved Marine Customers' or AMCs) in the shipping and marine industries are eligible to purchase or rent such goods at zero-percent GST. The documentary requirements imposed on suppliers making these zero-rated supplies to the AMC are simplified, such that the supplier does not need to maintain all the documentary evidence spelt out in our e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#).

Non-AMCs continue to enjoy zero-rating on goods procured for use or installation on internationally bound commercial ships for the scenarios spelt out in Appendix 5 of our e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#).

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<sup>1</sup> Under Sections 21(6A) and 21(6B)

### ***Benefits of the AMCS***

3.6 An Approved Marine Customer enjoys zero-rating on the following:-

(i) Purchases or rental of goods procured in the course of its business, provided the goods are for:

- use as stores or fuel on;
- installation on; or
- use in the maintenance or operation of

a commercial ship that is wholly for international travel, without the supplier having to maintain the previously listed documentary proof; and

(ii) Procurement of repair or maintenance services of ship parts or components without having to prove that the parts or components are reinstalled or returned onto the ship as a spare (see paragraph 4.2 for details).

### ***Conditions of Eligibility for AMCS***

In order to be eligible for the scheme, the applicant must satisfy the following conditions:-

3.7 Applicant must be a GST-registered business

The applicant must be registered with the Comptroller of GST as a GST-registered business. For more information on GST registration, please refer to the e-Tax Guide: [Do I Need to Register?](#)

3.8 Applicant must be a qualifying business

A qualifying business is one with an annual turnover of *at least S\$1 million* and who is principally engaged in any of the following businesses:-

(i) Ship owner; or

(ii) Ship manager.

As a general guide, **95% or more of the business' annual turnover** must relate to its business as ship owner or ship manager (as applicable) in order to be eligible for the scheme.

If the applicant is registered as a GST group, to be eligible for the scheme, **95% or more of the group's annual turnover** must relate to activities (i) or (ii) mentioned above.

### 3.9 Applicant must maintain good inventory controls and proper accounting records as well as any other documents or records required under the scheme

The applicant must maintain good inventory systems and controls to enable it to track the movement of all the goods purchased under the AMCS. It must be able to keep proper and up-to-date accounting records of these purchases as well as subsequent supplies and exports of the goods.

The applicant must also maintain any other documents or records that are set out in the paragraphs below.

All records and documentation must be made readily available upon request.

### 3.10 Applicant must have good compliance records

The applicant must have good compliance records for the following:-

- (i) payment of GST, income tax, property tax and customs duties; and
- (ii) submission and completion of GST and income tax returns.

### 3.11 Applicant must complete a self-review under Assisted Self-Help Kit (ASK) or is committed to participate in Assisted Compliance Assurance Programme (ACAP)

ASK and ACAP are GST compliance programmes that help GST-registered businesses self-manage their GST risks.

ASK helps GST-registered businesses to review correctness of their GST submission and discover past GST errors early to qualify for IRAS' [Voluntary Disclosure Programme](#).

ACAP is for businesses who adopt a robust GST Control Framework to self-manage their GST risks. These businesses can adopt ACAP to validate their GST compliance capabilities and obtain ACAP status with a suite of benefits and incentives.

More information can be obtained from [www.iras.gov.sg](http://www.iras.gov.sg) > GST > For GST-registered businesses > [GST initiatives to facilitate voluntary compliance](#).

### 3.12 Applicant must be able to comply with other conditions imposed by the Comptroller of GST

The Comptroller may impose additional conditions or requirements (such as furnishing a banker's guarantee) for the purpose of safeguarding tax revenue.

### ***Conditions of Approval***

- 3.13 The Conditions of Eligibility are also the Conditions of Approval of the scheme.

### ***Requirements of the AMCS***

- 3.14 Once approved under AMCS, the AMC must also agree to comply with the requirements set out below in addition to the Conditions of Approval.

- 3.15 Goods must be used for a 'specified purpose'

Under the scheme, only goods used for a 'specified purpose' may qualify for zero-rating. Goods are used for a 'specified purpose' if they satisfy both conditions below:-

- (i) Condition 1: The goods are for -
- use as stores or fuel on;
  - installation on; or
  - use in the maintenance or operation of

an internationally bound commercial ship.

Consequently, ships designed or adapted for recreation or pleasure (even if they are wholly used for international travel) and commercial ships that are concurrently licensed by the Maritime and Port Authority of Singapore or granted vessel permit by the Public Utilities Board will not enjoy the zero-rating benefits under the scheme.

Goods considered as being 'for use or installation on a ship' include machinery, equipment or other goods which are installed and become part of the ship or are for use on the ship for its operations. They exclude:

- Cargo carried onboard a ship to be transported to another destination
- Goods purchased by ship's crew for their own use
- Goods installed on a ship under construction

- (ii) Condition 2: The goods are procured by the AMC (whether by purchase or rental) in the course of its business.

*Ship owner*

In the case of a ship owner, zero-rating applies to goods purchased or rented for use or installation on internationally bound commercial ships it owns or charters.

*Ship manager*

In the case of a ship manager, zero-rating applies to goods purchased or rented for use or installation on internationally bound commercial ships for which it is appointed as ship manager.

See Appendix 2 for examples of when zero-rating under AMCS applies.

### 3.16 Publishing details of AMCS persons on IRAS website

It is the responsibility of an AMC to notify its GST-registered suppliers of its current status so that it can purchase qualifying supplies without payment of GST. To assist suppliers to verify the customer's AMCS status, the names of all AMCs are published on the IRAS website.

3.17 Record-keeping requirements<sup>2</sup> and other obligations on AMC and its supplier under the scheme

Approved Marine Customer	Supplier
<p>(i) Furnish the suppliers concerned with a copy of IRAS' approval letter;</p> <p>(ii) After having ascertained that the purchase qualifies for zero-rating under the AMCS, provide the supplier concerned with a purchase order (or any other written instruction) with the following details:-</p> <ul style="list-style-type: none"> <li>▪ Type and name of vessel</li> <li>▪ Confirmation that the goods are for use for the 'specified purpose'</li> <li>▪ Annotation: <i>"Supplies qualify for zero-rating under the Approved Marine Customer Scheme"</i>;</li> </ul> <p>(iii) Obtain invoices and delivery notes from the suppliers with the following annotation: <i>"Supplies zero-rated under the Approved Marine Customer Scheme"</i>;</p> <p>(iv) Maintain documentary evidence to show that the goods were used for the 'specified purpose' i.e. endorsement by Master/ Chief Engineer on the supplier's delivery note;</p> <p>(v) Notify its suppliers immediately when its AMCS status is revoked; and</p> <p>(vi) Maintain separate records<sup>3</sup> for purchases made under AMCS.</p>	<p>(i) Maintain a copy of AMC's approval letter;</p> <p>(ii) Obtain AMC's purchase orders with the following details:-</p> <ul style="list-style-type: none"> <li>▪ Type and name of vessel</li> <li>▪ Confirmation that the goods are for use for the 'specified purpose'</li> <li>▪ Annotation: <i>"Supplies qualify for zero-rating under the Approved Marine Customer Scheme"</i>;</li> </ul> <p>(iii) Verify that the customer is an AMC by checking against the list of AMCs published on the IRAS website;</p> <p>(iv) Issue invoices and delivery notes to AMC with the following annotation: <i>"Supplies zero-rated under the Approved Marine Customer Scheme"</i>; and</p> <p>(v) Maintain evidence of payment received from AMC.</p>

<sup>2</sup> Original documents must be maintained. If you wish to preserve your records in other forms (e.g. electronic format), you do not need to seek approval from the Comptroller of GST. However, you must comply with the guidelines set in the e-Tax Guides "[Keeping of Records in Imaging Systems](#)" and "[Keeping Machine-sensible Records and Electronic Invoicing](#)".

<sup>3</sup> Condition satisfied if AMC is able to provide a breakdown of taxable purchases (Box 5) into AMCS and non-AMCS purchases. AMC must also be able to reconcile its taxable purchases to its accounting records.

### *Extension of the 60-day rule to obtain the Master/ Chief Engineer's endorsement on the supplier's delivery note*

The AMC has up to an extended period of 90 days (from date of the supplier's delivery note) to obtain the Master/ Chief Engineer's endorsement on the supplier's delivery note [i.e. document (iv)].

In the event that it is unable to obtain the endorsed supplier's delivery note after 90 days or any of the required documents listed in this paragraph, the AMC must account for the output tax that would have been chargeable on the supply in its GST return corresponding to that accounting period during which the AMC receives the said supply. The AMC may also claim such tax it had accounted for as its input tax, subject to the normal input tax claim conditions.

The Comptroller will extend the same 90-day concession to ship managers approved under the AMCS to obtain their delivery note endorsed by the Master/ Chief Engineer of the ship, so that the ship managers may zero-rate their supplies to the ship owner under Scenario 1. This should be in accordance with Appendix 5 of the e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#). The 60-day rule continues to apply to all other required documents. In the event that the ship manager is unable to obtain all the required documents under Scenario 1, it must standard-rate the supply.

### 3.18 Accounting for GST in the event of change in intention of goods usage

In the event that the AMC uses or forms an intention to use the goods for purposes other than the 'specified purpose', it will need to account for the output tax that would have been chargeable on the supply in its GST return for that accounting period. The AMC will also be entitled to claim such tax accounted for as its input tax, subject to the normal input tax claim conditions.

#### Example:

The AMC procures cleaning supplies for use on its internationally bound commercial ships in Dec 2011. It subsequently used a portion of the cleaning supplies for its office in Jan 2012.

The AMC therefore, has to account for the output tax (on the portion of the cleaning supplies used for its office) that would have been chargeable on the supply in its GST return for the accounting period 1 Jan 2012 to 31 Mar 2012<sup>4</sup>.

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<sup>4</sup>Assuming its prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.

### 3.19 GST reporting requirements of AMC and its supplier under the scheme

The AMC needs to record its value of purchases made under the scheme as taxable purchases (Box 5). There will be no corresponding input tax claimable (Box 7) recorded since it is a zero-rated purchase.

The supplier of AMC should report the value of the sale made under the scheme as zero-rated supplies (Box 2).

In the event the AMC:

- uses or forms an intention to use the goods for purposes other than the 'specified purpose'; or
- is unable to fulfil the 90-day requirement to obtain the Master/ Chief Engineer's endorsement on the supplier's delivery note,

it needs to account for the tax that would have been chargeable on the supply. Accordingly, it has to report in its GST return the corresponding values of standard-rated supplies and output tax (under Boxes 1 and 6 respectively) for that accounting period.

The AMC can claim such tax accounted for as input tax (to be reported as taxable purchases and input tax in Boxes 5 and 7 respectively), subject to the normal input tax claim conditions.

See Appendix 3 for illustrations of GST reporting requirements under AMCS.

#### ***Application procedures***

- 3.20 A GST-registered person that satisfies the above Conditions of Eligibility can apply for AMCS status.

- 3.21 To apply for AMCS, the applicant must complete and submit the application form [GST F25](#) (available on the IRAS website at [www.iras.gov.sg](http://www.iras.gov.sg) under Quick links > Forms > GST) together with the following documents:-

Ship owner	Ship manager
(i) Latest audited financial statements;	(i) Latest audited financial statements;
(ii) Document of Compliance <sup>5</sup> issued to applicant;	(ii) Document of Compliance <sup>5</sup> issued to applicant;
(iii) List of ships owned and chartered with details such as vessel name, year of build, flag, class and type of ship. In the course of our review of the application, we may request for proof of ownership or appointment as ship charterer of the ships listed; and	(iii) List of ships managed with details such as vessel name, name of owner, year of build, flag, class and type of ship. In the course of our review of the application, we may request for proof of appointment <sup>6</sup> as ship manager; and
(iv) Duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors (i.e. Section 3 of ASK).	(iv) Duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors (i.e. Section 3 of ASK).

*Note: The AMC does not need to submit a revised listing [i.e. document (iii)] upon updates to list of ships owned, managed or chartered by it. Notwithstanding this, the AMC needs to maintain an updated list, which must be readily available for submission upon IRAS' request.*

- 3.22 The applicant is to maintain the working templates in Section 3 of the ASK to support that the "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" is accurately completed. We may request for the working templates when reviewing the application.

For applications made before 1 April 2012:

To facilitate AMCS application, the Comptroller may grant an interim 1-year AMCS status to businesses who are unable to submit the "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors", provided that the business satisfies the other qualifying conditions mentioned in this guide and undertakes to submit the declaration before the expiry of the 1-year period, even though the AMC may not wish to extend its AMCS status beyond the 1 year.

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<sup>5</sup> 'Document of Compliance' is a certificate issued to a company when it has been verified that it complies with the relevant requirements of the International Safety Management (ISM) code."

<sup>6</sup> In the absence of a written contract, the Comptroller of GST is prepared to consider other commercial documents as evidence of proof of appointment, on a case-by-case basis.

If the business wishes to extend its AMCS status, it must submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" within 1 year of the grant of its interim AMCS status. Businesses who do not submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" within the required timeframe will have their AMCS status terminated.

For applications made on or after 1 April 2012:

A duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" must be submitted together with the application form.

With effect from 1 January 2013, the "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" must be signed off by a tax professional accredited as Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) with the Singapore Institute of Accredited Tax Professionals ('SIATP'). For more information on accreditation, please visit [www.siatp.org.sg](http://www.siatp.org.sg).

- 3.23 A GST-registered person may also apply for the scheme if it has committed to participate in ACAP. In this case, it does not need to perform a self-review under ASK.

However, in the event that the AMC decides to withdraw from participating in ACAP, it must immediately undertake to perform ASK and submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" within 6 months from its withdrawal of its ACAP participation.

If the AMC fails to obtain ACAP status, the Comptroller may, on a case-by-case basis, require the AMC to perform and submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" within a specified period.

- 3.24 The applicant will be informed of the outcome of its application within one month from the date of receipt of its application. This is provided that its application form is fully completed with the relevant supporting documents, including any documents or information that we may request in the course of our review of the application.

### ***Validity period of AMCS status***

- 3.25 If the applicant's application is successful, it will be granted AMCS status and this will remain valid for as long as it continues to satisfy the Conditions of Eligibility for AMCS.
- 3.26 The AMC should hence, conduct regular reviews to ensure that it continues to satisfy the Conditions of Eligibility and is able to comply with the requirements of the scheme. The AMC may also be subject to periodic audits by the Comptroller. This is unless it has also been accorded the ACAP status, under which the Comptroller will then step-down on GST compliance activities during the tenure of its ACAP status unless significant anomalies are noted in its GST declarations.

### ***Implications of cessation from AMCS***

- 3.27 Whenever an AMCS business ceases to qualify for AMCS (for example, when its principal business activities change or it no longer procures supplies for internationally bound commercial ships), it must inform the Comptroller immediately. Its AMCS status will be terminated upon its cessation to qualify for AMCS. The AMC may also withdraw from the scheme at anytime.

In the event that the AMC's status is withdrawn or terminated, the AMC will need to account for output tax on the value of any purchases made previously under AMCS where the goods have not yet been used for the 'specified purpose' as at the date it ceases to be an AMC.

The AMC needs to account for the tax in its GST return corresponding to the day it ceases to be an AMC, as standard-rated supplies and output tax (under Boxes 1 and 6 respectively) for that accounting period. The AMC can claim such tax accounted for as input tax (to be reported as taxable purchases and input tax in Boxes 5 and 7 respectively), subject to the normal input tax claim conditions.

### ***De-registration implications for AMCS business***

- 3.28 When the AMCS business de-registers from GST, it has to fulfil all the requirements pertaining to de-registration like all other GST-registered businesses.

Upon de-registration, the AMC will:

- (i) account for output tax on the value of any purchases made previously under AMCS where the goods have not yet been used for the 'specified purpose' as at the date of de-registration in its Final GST Return.

That means, the AMC needs to account for the tax in its Final GST Return, as standard-rated supplies and output tax (under Boxes 1 and 6 respectively) for that accounting period;

- (ii) claim such tax accounted for as input tax (to be reported as taxable purchases and input tax in Boxes 5 and 7 respectively) in its Final GST Return; and
- (iii) thereafter, account for deemed output tax in its Final GST Return if the value of its taxable assets on hand [such as stock and non-residential properties (for which input tax has been allowed previously) and goods purchased by way of sale under AMCS] exceeds S\$10,000.

Example:

AMC's registration for GST is cancelled with effect from 1 Jul 2012. It also ceases to be an AMC upon de-registration.

Its assets on hand as at 30 Jun 2012 are:

Stock on hand (where input tax has been allowed previously)	\$500,000
Non-residential properties (where input tax has been allowed previously)	\$1,000,000
Goods purchased by way of sale under AMCS (as explained in paragraph 3.28)	\$8,000
Total	<u>\$1,508,000</u>

Hence, the AMC would need to account for deemed output tax in its Final GST Return on \$1,508,000.

### ***Consequences of non-compliance with AMCS***

- 3.29 The Comptroller may by notice in writing, revoke the business' AMCS status if it is found that it has:-
- (i) At any time ceased to satisfy any of the Conditions of Eligibility of the scheme;
  - (ii) Provided false, misleading or inaccurate information on its eligibility for AMCS; or
  - (iii) Failed to comply with any condition or requirement of the scheme or as imposed by the Comptroller.

3.30 In addition, the AMCS business is required to repay to the Comptroller the GST otherwise payable on the purchases made under the scheme, if it is found to have misused its AMCS status. For example:-

- (i) It has ceased to be principally engaged as a ship owner or ship manager without notifying the Comptroller.
- (ii) It purchases goods or services using its AMCS status for purposes other than 'specified purpose' (including making purchases on behalf of other persons for the furtherance of its business).

In such instances, the AMCS business (buyer in the transaction) has to account for the tax due as output tax (Box 6) in the GST return. The AMC will not be entitled to any corresponding input tax credits.

Example 1:

AMC, a ship owner, purchases goods to be used on an internationally bound commercial ship on behalf of another company Y. Subsequently, AMC sought reimbursement (with or without markup) from company Y. AMC has therefore, misused its AMCS status.

Example 2:

AMC, a ship manager, purchases goods to be used on an internationally bound commercial ship on behalf of a ship owner (company Z) for which it is not appointed as ship manager. Subsequently, AMC sought reimbursement (with or without markup) from company Z. AMC has therefore, misused its AMCS status.

Example 3:

AMC, a ship manager, ceased to be principally engaged as a ship manager with effect from Feb 2012. It did not notify the Comptroller immediately and continued to make purchases under AMCS after it ceased to be principally engaged as a ship manager. AMC has therefore, misused its AMCS status.

### 4 ZERO-RATING OF REPAIR AND MAINTENANCE SERVICES OF SHIP PARTS OR COMPONENTS

#### GST treatment before 1 Oct 2011

- 4.1 Section 21(3)(p) of the GST Act read together with Paragraph 1 of the Sixth Schedule of GST (International Services) Order accords zero-rating for the supply of repair and maintenance services on ship and ship parts and components where:-
- (a) the repair or maintenance is carried out on board the ship;
  - (b) any part or component of the ship is removed for repair and reinstalled on the ship;
  - (c) any part or component of the ship is removed for repair and returned to the ship as a spare; or
  - (d) any part or component of the ship is removed and replaced by an identical part or component.

#### GST treatment with effect from 1 Oct 2011

- 4.2 To facilitate GST compliance in the light of prevailing industry practices, the scope of zero-rating of repair and maintenance services is extended to include:-
- (i) Ship parts or components delivered to a shipyard situated in Singapore or to an Approved Marine Customer<sup>7</sup> after repair or maintenance; and
  - (ii) Scenarios where the supplier invoices its customer for repair services but provides a reconditioned ship part or component in exchange for the faulty part and:-
    - installs the part or component on the ship;
    - brings the part or component onto the ship as a spare; or
    - delivers the part or component to a shipyard situated in Singapore or to an Approved Marine Customer<sup>7</sup>.

Similar to the existing GST treatment, the ship part or component must be for a ship falling within definition of 'ship' under Section 21(4)(a) of the GST Act. For details, please refer to our e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#).

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<sup>7</sup>It is necessary for the supplier to verify that the customer is an Approved Marine Customer by validating the customer's status against the list of Approved Marine Customers provided on IRAS' website.

***Documentary requirements***

4.3 For the supplier to determine whether its services qualify for zero-rating, it should maintain the documents listed below:-

<p><b>Repair and maintenance services carried out on board the ship or where the part or component is removed from the ship for repair, is reinstalled or returned onto the ship as a spare</b></p>	<p><b>Repair and maintenance services where the repaired ship parts or components is delivered to either a shipyard situated in Singapore or AMC</b></p>
<p>(i) Work order or purchase order from customer. The work order must specify the following details:-</p> <ul style="list-style-type: none"> <li>▪ Type and name of vessel</li> <li>▪ License number of vessel, if it is licensed by MPA (preferably);</li> </ul> <p>(ii) Invoice to its customer;</p> <p>(iii) Evidence of payment received from customer; and</p> <p>(iv) Documents validating that the repair and maintenance were carried out on board the ship or where the part or component is removed from the ship for repair, is reinstalled or returned onto the ship as a spare. This could include work order report or any other similar documents endorsed by the supplier and customer.</p>	<p>(i) Work order or purchase order from customer. The work order must specify the following details:-</p> <ul style="list-style-type: none"> <li>▪ Details/ characteristics of ship part or component</li> <li>▪ Type and name of the vessel</li> <li>▪ License number of vessel, if it is licensed by MPA (preferably);</li> </ul> <p>(ii) Invoice to its customer;</p> <p>(iii) Evidence of payment received from customer;</p> <p>(iv) Delivery note endorsed by the shipyard or AMC; and</p> <p>(v) Documents validating that the repair and maintenance were carried out on specified ship part or component. This could include work order report or any other similar documents endorsed by the supplier and customer.</p>

4.4 For repair and maintenance services where the supplier provides a new/reconditioned ship part or component in exchange for the faulty part to its customer, the supplier must maintain the same documents as listed under paragraph 4.3 (where applicable). The supplier must in addition, indicate on its delivery note that it has provided a new/reconditioned part or component in exchange for the faulty item.

### ***Ancillary expenses on-charged (ancillary supplies) in the course of providing repair and maintenance services***

- 4.5 In the course of performing the repair and maintenance services, the supplier may incur expenses on services which it on-charges to its customer. Examples of such ancillary supplies include delivery charges, overtime allowances for labour, travel costs, etc.
- 4.6 For simplicity, the Comptroller is prepared to regard all such expenses incurred and on-charged by supplier as part and parcel of its overall repair and maintenance services and hence these may enjoy zero-rating, if the value of the ancillary supplies forms a small portion (i.e. less than 5%) of the total consideration invoiced to its customer.

If the ancillary supplies exceed the 5% threshold, zero-rating may apply if the following qualitative factors are satisfied:

- (i) The ancillary supplies are essential and integral to providing the repair or maintenance services i.e. they would not be necessary if not for the principal supply of repair or maintenance services; and
- (ii) The activities underlying such ancillary supplies are part of the overall repair and maintenance contract that the supplier has with its customer.

#### Example:

The supplier incurs international freight charges to deliver the repaired ship part to its overseas customer. The international freight charges amount to more than 5% of the total consideration (i.e. repairs charges plus international freight reimbursement).

Notwithstanding that the international freight charges exceeds the 5% threshold, the supplier may still zero-rate the entire supply on the basis that the supplier would not have incurred the international freight charges, if not for the fact that it provided the principal supply of repair services to its customer.

### 5 CONTACT INFORMATION

If you have any enquiries on this e-Tax Guide, please contact:

Goods & Services Tax Division  
Inland Revenue Authority of Singapore  
55 Newton Road  
Singapore 307987

Tel: 1800 356 8633  
Fax: (+65) 6351 3553

### 6 UPDATES AND AMENDMENTS

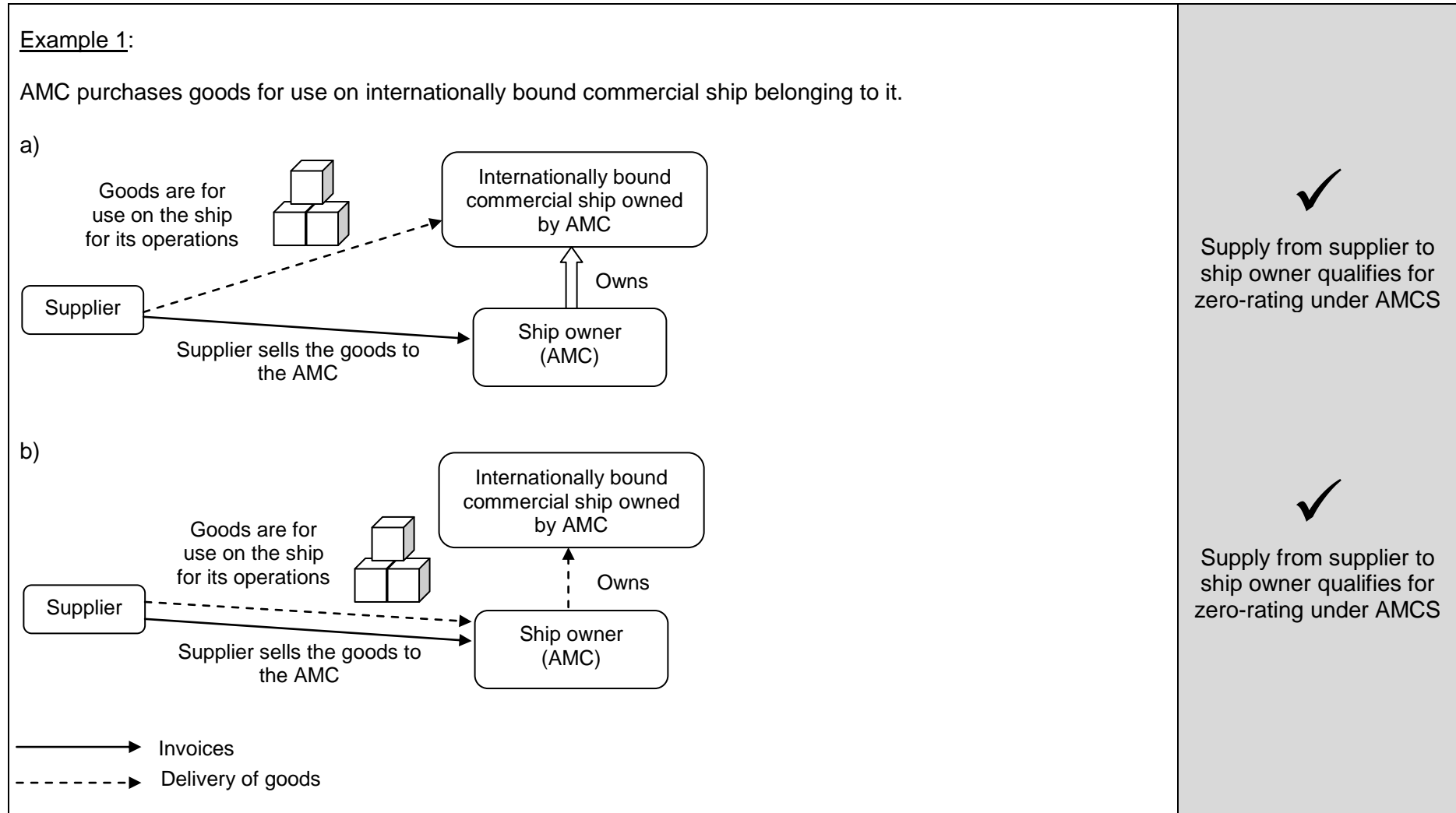
	<b>Date of amendment</b>	<b>Amendments made</b>
1	10 Jan 2012	Revisions made to take into account legislative amendments

**SUMMARY OF CHANGES**

**Appendix 1**

Scope	GST treatment before 1 Oct 2011	GST treatment with effect from 1 Oct 2011
1. Supplies of goods for use or installation on a ship located in Singapore	Sale and rental of goods (including stores and merchandise) for use or installation on a 'ship' (as defined in the GST Act) can be zero-rated under certain scenarios, provided that the supplier maintains the requisite documentary proof.	<p>A new GST scheme, known as Approved Marine Customer Scheme (AMCS), was introduced to allow Approved Marine Customers to buy or rent goods for use or installation on a commercial ship that is wholly for international travel without having to pay GST.</p> <p>This means the supplier may zero-rate the supply of such goods to an Approved Marine Customer without having to maintain the previously listed documentary proof.</p>
2. Supplies of repair and maintenance services performed on ship parts or components	<p>Repair and maintenance services performed on ship and ship parts or components may qualify for zero-rating if:-</p> <p>(a) The repair or maintenance is carried out on board the ship;</p> <p>(b) Any part or component of the ship is removed for repair and reinstalled on the ship;</p> <p>(c) Any part or component of the ship is removed for repair and returned to the ship as a spare; or</p> <p>(d) Any part or component of the ship is removed and replaced by an identical part or component.</p>	<p>Zero-rating of repair and maintenance services is extended to include the following scenarios:-</p> <p>(a) Repair or maintenance services performed on ship parts or components which are delivered to:-</p> <p style="padding-left: 40px;">(i) Shipyards in Singapore; or</p> <p style="padding-left: 40px;">(ii) Approved Marine Customers; and</p> <p>(b) In addition, where the supplier provides a reconditioned ship part or component in exchange for the faulty part (e.g. 1-for-1 exchange) to its customer, such arrangements is treated as a single supply of repair services.</p>

ILLUSTRATIONS OF WHEN ZERO-RATING UNDER AMCS APPLIES

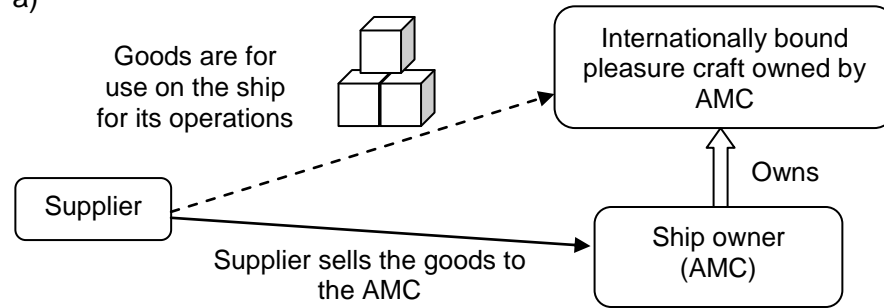


ILLUSTRATIONS OF WHEN ZERO-RATING UNDER AMCS APPLIES

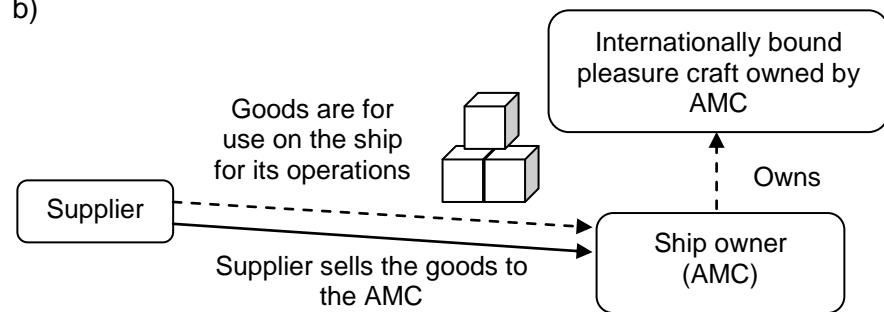
Example 2:

AMC purchases goods for use on internationally bound *pleasure craft* belonging to it.

a)



b)



—————> Invoices  
 - - - - -> Delivery of goods

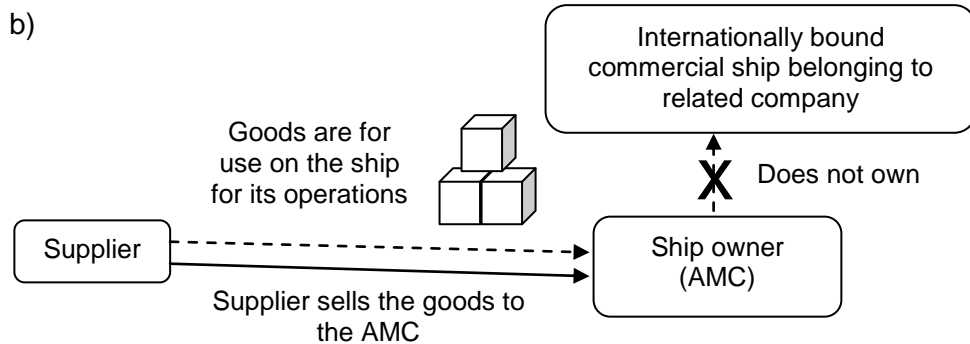
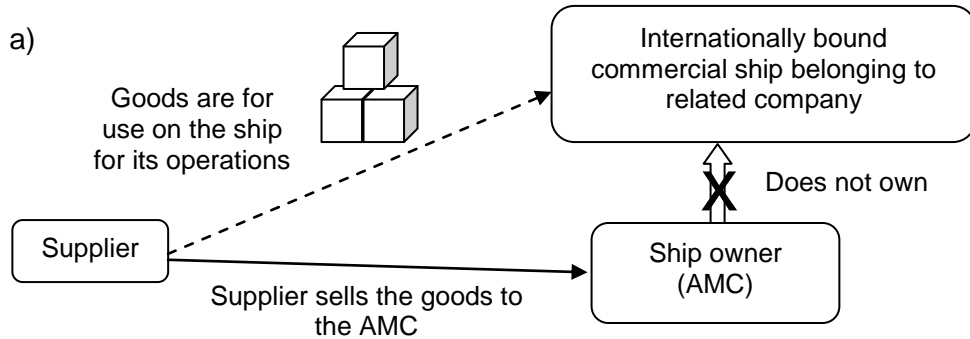
**X**  
 Supply from supplier to ship owner does not qualify for zero-rating under AMCS as goods are for use on pleasure craft (and not commercial ship)

**X**  
 Supply from supplier to ship owner does not qualify for zero-rating under AMCS as goods are for use on pleasure craft (and not commercial ship)

ILLUSTRATIONS OF WHEN ZERO-RATING UNDER AMCS APPLIES

Example 3:

AMC purchases goods for use on internationally bound commercial ship *belonging to its related company*.



—————> Invoices  
 - - - - -> Delivery of goods

**X**

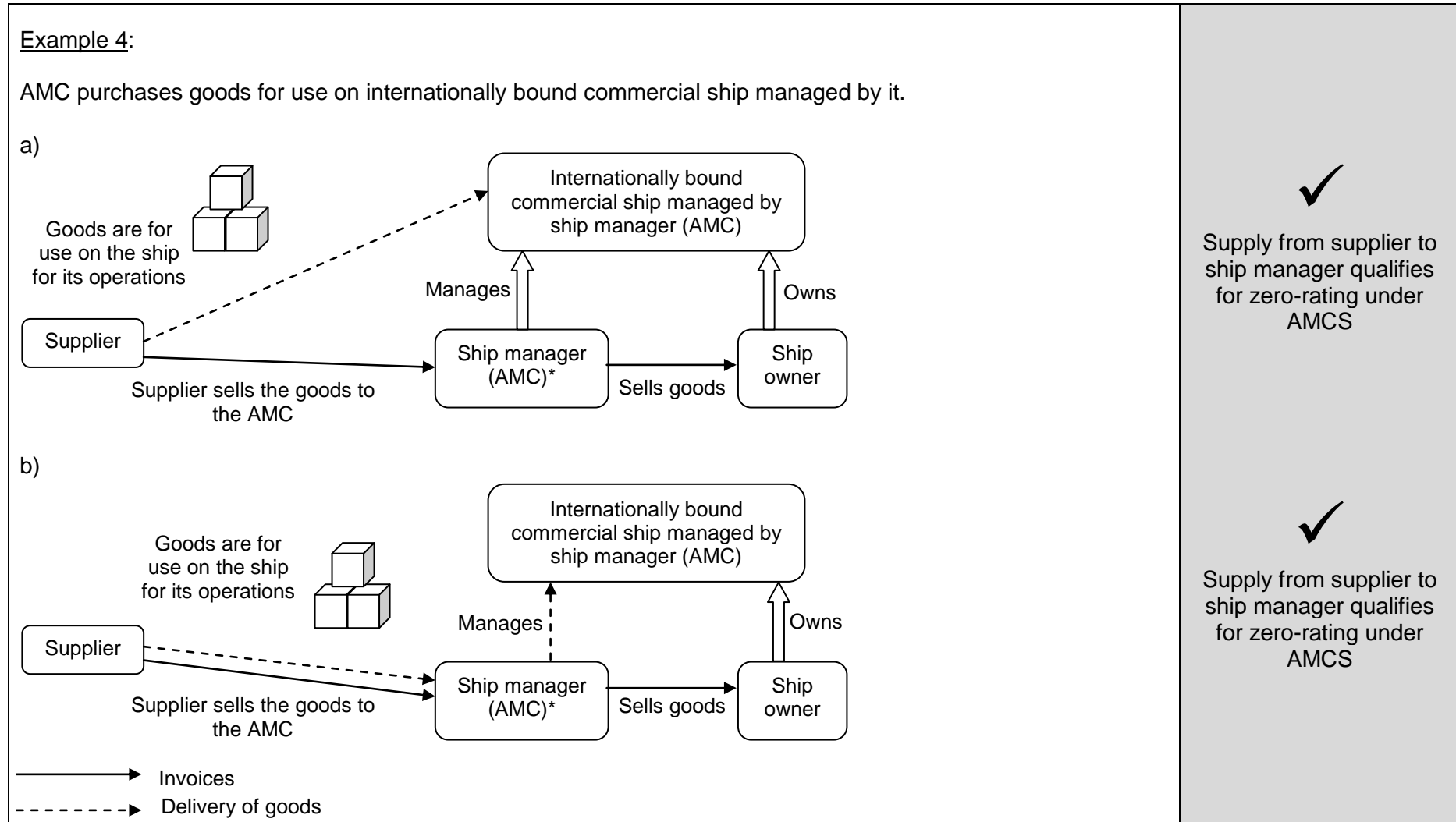
Supply from supplier to ship owner does not qualify for zero-rating under AMCS as goods are for use on commercial ship not belonging to ship owner

**X**

Supply from supplier to ship owner does not qualify for zero-rating under AMCS as goods are for use on commercial ship not belonging to ship owner

ILLUSTRATIONS OF WHEN ZERO-RATING UNDER AMCS APPLIES



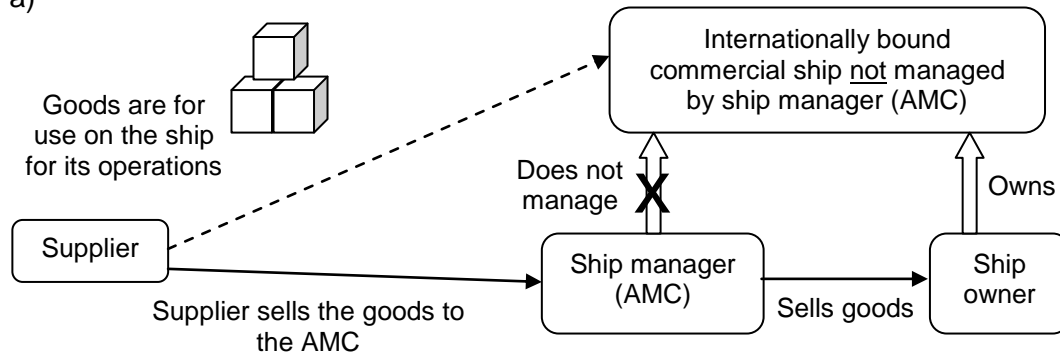
\*The ship manager's supply to the ship owner would qualify for zero-rating under Scenario 1 explained in Appendix 5 of the e-Tax Guide: [GST Guide for the Marine Industry – 2010 Budget Changes](#). The Comptroller will similarly extend the 60-day requirement for the ship manager to obtain its delivery note endorsed by the Master/Chief Engineer of the ship to 90 days.

ILLUSTRATIONS OF WHEN ZERO-RATING UNDER AMCS APPLIES

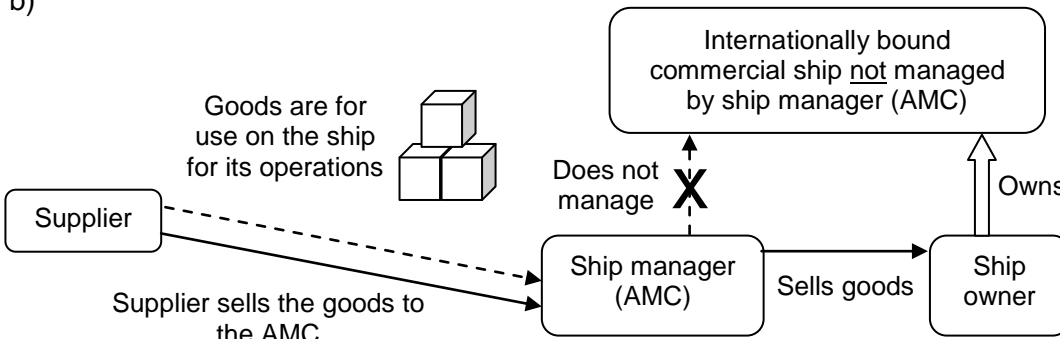
Example 5:

AMC purchases goods for use on internationally bound commercial ship *not managed by it*.

a)



b)



—————> Invoices  
 - - - - -> Delivery of goods

X

Supply from supplier to ship manager does not qualify for zero-rating under AMCS as goods are for use on commercial ship not managed by ship manager

X

Supply from supplier to ship manager does not qualify for zero-rating under AMCS as goods are for use on commercial ship not managed by ship manager

**ILLUSTRATION OF GST REPORTING REQUIREMENTS FOR AMCS (EXAMPLE 1)**

**Appendix 3**

Supply	Time of Supply	Prescribed Accounting Period <sup>8</sup> ended	Approved Marine Customer	Supplier
In Dec 2011, the AMC purchased cleaning supplies of \$100 intended for use on its internationally bound commercial ships.	Dec 2011	31 Dec 2011	Taxable purchases (Box 5)      \$100	Zero-rated supplies (Box 2)      \$100
<p>Subsequently in Jan 2012, its related company urgently needed a portion of these cleaning supplies (\$80) for use in its office and the AMC decided to sell the cleaning supplies to its related company.</p> <p>Upon forming the intention to sell the cleaning supplies to its related company, the AMC must account for GST as there is a change in intention of the goods usage.</p>	Jan 2012	31 Mar 2012	Standard-rated supplies (Box 1)      \$80 Output tax (Box 6)      \$5.60  Taxable purchases (Box 5)      \$80 Input tax <sup>9</sup> (Box 7)      \$5.60	Not applicable
<p>AMC eventually sold the cleaning supplies to its related company in Feb 2012.</p> <p>It will account the sale as its supply of goods in its GST return.</p>	Feb 2012	31 Mar 2012	Standard-rated supplies (Box 1)      \$80 Output tax (Box 6)      \$5.60	Not applicable

<sup>8</sup> Assuming their prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.

<sup>9</sup> Subject to normal input tax claim conditions

**ILLUSTRATION OF GST REPORTING REQUIREMENTS FOR AMCS (EXAMPLE 2)**

**Appendix 3**

Supply	Time of Supply	Prescribed Accounting Period <sup>10</sup> ended	Approved Marine Customer	Supplier
In Dec 2011, the AMC purchased cleaning supplies of \$100 intended for use on its internationally bound commercial ships.	Dec 2011	31 Dec 2011	Taxable purchases \$100 (Box 5)	Zero-rated supplies \$100 (Box 2)
<p>Subsequently in Jan 2012, it decided to use a portion of the cleaning supplies (\$80) for its office instead.</p> <p>Upon forming this intention, the AMC must then account for GST given the change in intention of the goods usage.</p>	Jan 2012	31 Mar 2012	Standard-rated supplies \$80 (Box 1) Output tax \$5.60 (Box 6)  Taxable purchases \$80 (Box 5) Input tax <sup>11</sup> \$5.60 (Box 7)	Not applicable

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<sup>10</sup> Assuming their prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.

<sup>11</sup> Subject to normal input tax claim conditions