

GOODS AND SERVICES TAX

GST AND THE MARINE & SHIPPING INDUSTRIES



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TABLE OF CONTENTS

1	AN OVERVIEW.....	1
2	MARINE SERVICES.....	2
	Ship Repairs.....	2
	Salvage Services.....	4
	Engineering Services.....	4
	Survey and Classification services	5
3	SHIPPING ACTIVITIES	6
4	SHIP MANAGEMENT & SHIP AGENCY SERVICES	8
5	GENERAL.....	10
	APPENDIX 1	11
	APPENDIX 2	15

This guide is designed to explain the Goods and Services Tax (GST) treatments for the Marine and Shipping industries.

1 AN OVERVIEW

1.1 What is GST?

GST stands for Goods and Services Tax. It is a **tax on**:

- (a) the supply of goods and services made in Singapore by a **taxable person** in the course or furtherance of any business carried on by him; and
- (b) the importation of goods into Singapore.

1.2 Who can charge GST?

Only taxable persons can charge GST. A taxable person is a person who is or is required to be registered under the GST Act.

A person who has made or intends to make taxable supplies with annual turnover exceeding \$1 million is required to be GST-registered.

A trader whose annual turnover does not exceed \$1 million may apply for voluntary GST registration. However, he must remain registered for at least 2 years.

1.3 What is zero-rating?

Zero-rating means that the GST on the supply of goods and services is at 0%. Accordingly, a taxable person will not charge any GST on his zero-rated supplies (i.e. no output tax). However, the taxable person can claim back the input tax paid on his business purchases.

The GST Act has provided for zero-rating on export of goods and international services. The relevant sections of the GST Act have been reproduced in Appendix 1 of this booklet.

Please note that a person who makes zero-rated supplies is required to be GST registered if his annual turnover exceeds S\$ 1m. However, if he makes mainly zero-rated supplies, he may apply to be exempted from GST registration.

2 MARINE SERVICES

Ship Repairs

2.1 *If I import spare parts to supply to vessels, do I have to pay GST at the point of importation?*

GST is imposed on **all imports**. If the spare parts were stored in the Free Trade Zone (FTZ), GST on importation would be suspended until the goods are removed from the FTZ. However, if you qualify under the Major Exporter Scheme, you will not be required to pay GST at the point of importation.

On the other hand, you may take up a transshipment permit with the Singapore Customs if the spare parts are to be delivered directly to the shipyard. In such instances, you should keep documentary proof that the goods were delivered directly to the vessel e.g. the acknowledgement of receipt by the master of the vessel.

2.2 *If I supply stores and spare parts to ships, will my supplies be subjected to GST?*

Stores (including fuel and spare parts) **supplied directly on board a ship** whose destination is outside Singapore will be zero-rated. You should keep documentary proof to support the zero-rating e.g. the acknowledgement of receipt by the master of the vessel.

However, if the stores are supplied to a trader and not delivered directly on board the ship e.g. to a ship agent or a ship chandler, the supplies cannot be zero-rated. But the trader can claim back the GST paid as his input tax.

2.3 *Is GST payable on repair work done in Singapore on a Singapore registered ship?*

Repair work provided to the owner, operator or agent of the ship, **regardless of where the ship is registered**, can be zero-rated if the ship is not a passenger harbour craft or pleasure craft. Thus, the ship repair contractor need not charge the owner, operator or agent any GST on his work done.

If, however, the contractor engages a sub-contractor to do the repair work, the subcontractor will have to charge the main contractor GST. The main contractor will then claim back the GST paid as input tax.

Please note that any reference to 'ship' in Section 21(3) of the GST Act, excludes any vessel licensed under the Maritime and Port Authority of Singapore Act as a passenger harbour craft or pleasure craft. In other words, zero-rating is applicable on services rendered only to vessels that are not passenger harbour crafts and pleasure crafts.

2.4 Are the following services done for a foreign principal subjected to GST•-

- (a) Ships sent for repair and maintenance works in Singapore shipyards?
- (b) Repair work done at in-port/out-port limits?

All ship repair and maintenance services, regardless of where it is performed, can be zero-rated if they are provided to the owner, operator or agent of the ship. This is regardless of whether the ship owner, operator or agent belongs in Singapore or not.

2.5 We have a contract to build a ship. We may out-source some of the work to a subcontractor. Should the main contract be subjected to GST?

The supply of any ship is a zero-rated supply. Therefore, the main contract to build the ship can be zero-rated. However, if the sub-contractor is a GST-registered person, he will be required to charge GST on the portion of work billed to you.

2.6 If I build ships for my own business use in Singapore, Johor and Batam, what will be the GST implications?

You may claim the input tax incurred on your purchases of materials to build the ships. However, you are required to keep the relevant tax invoices to support your input tax claims.

Salvage Services

- 2.7** *I am in the business of providing marine salvage service& These services may be rendered within Singapore or International waters. Are my services subjected to GST?*

All salvage services rendered in relation to ships can be zero-rated. This is regardless of whether the salvage services are rendered within Singapore or International waters and whether the services are supplied to local or overseas ship owners.

- 2.8** *I would sometimes engage the services of overseas marine law officers and professional marine salvage advisors to prepare salvage claims which would then be billed to owners of salvaged vessels. Do I have to charge GST on my salvage claims?*

The overseas consultants would not charge you GST on their services as they are not GST-registered traders.

As your total claims are for salvage services, they can be zero-rated.

Engineering Services

- 2.9** *My overseas principal would arrange for the sale of an equipment to a customer in Singapore. We are an engineering company in Singapore who would provide the start-up and commissioning of the equipment. We would then charge our overseas principal for our services. The value of our services is usually included in the price of the equipment to the local customer. Should our services to the overseas principal be subjected to GST?*

Yes. Although your services are rendered to a person who does not belong in Singapore, your services are still subjected to GST as they are in direct connection with goods in Singapore.

Survey and Classification services

2.10 *Are classification services rendered on 'Foreign Flag' ships zero-rated supplies?*

Yes. Classification services rendered to foreign or local ships can be zero-rated.

2.11 *If I provide surveying services only to the propulsion system of the ship, can my services still be zero-rated?*

Yes. You can zero-rate your services if the propulsion system forms part of the ship.

2.12 *My head office is located in London. Sometimes, the London head office renders classification services on vessels docked outside Singapore. However, the invoice for the services is issued by us on behalf of the London office as the clients are in Singapore. What is the GST implication of such a practice?*

The business establishment most directly concerned with the supply of service is your head office in London. If the services were rendered by the London office, GST would not be charged on the classification service as the London office is not a GST-registered trader. It is important to state clearly on your invoice that the billing is done on behalf of the London office.

2.13 *Can zero-rating be extended to surveying of equipment or machinery which is not part of a ship?*

No. The service will be subjected to GST.

2.14 *We sell publications on our survey and inspection activities. Is the sale of the publications subjected to GST?*

Yes. This is a sale of goods in Singapore and therefore the sale will be subjected to GST.

3 SHIPPING ACTIVITIES

3.1 ***Are freight charges subjected to GST?***

Services comprising the transport of passengers or goods:

- (i) from a place outside Singapore to another place outside Singapore;
- (ii) from a place in Singapore to a place outside Singapore; or
- (iii) from a place outside Singapore to a place in Singapore;

qualify as international services.

Thus, freight charges in respect to the above-mentioned services can be zero-rated.

3.2 ***We handle cargo shipments for local customers. We arrange for the cargoes to be delivered to our principal's ship or to other ships. We would charge the local customer for the sea freight and the local transportation from the port to their warehouse. We understand that charges for sea freight are zero-rated supplies. Do we need to charge GST on the local transportation?***

If you undertake to bring the goods from the exporting country to the local customer's warehouse (i.e. you are providing the international and the local transportation), the charges for both the international and local transportation can be zero-rated.

On the other hand, if you perform only the local transportation to the local customer (for example, transporting cargoes from the FTZ to the warehouse), your transportation charges would attract GST. The local customer, if registered for GST, can claim the GST paid as his input tax.

In the case where the customer is a person who belongs outside Singapore, the following services rendered to him are zero-rated:

- (a) The transport of imported goods from the point of import to the first destination in Singapore (i.e. the place at which they are consigned to).
- (b) The transport of goods for export from the place in Singapore from which they were consigned for export to the place of exportation.

- (c) The handling and storage of the goods at the place of consignment and any handling and storage services rendered in connection with such transport.

3.3 *Are fees received for the broking and management of a ship subjected to GST?*

Fees received for the broking and management of ships are zero-rated if they are provided to the owner, operator or agent of the ship. This is regardless of whether the customer is a local or foreign person.

3.4 *My company provides storage facilities for goods. A storage fee is charged for our services. Is GST applicable on our services?*

Storage fees charged to a local customer will attract GST. Your local customer can claim the GST paid as his input tax if he is a GST-registered trader.

Storage services in the FTZ and designated area of a port are zero-rated supplies.

3.5 *Goods are brought into Singapore for transshipment. They would be stored temporarily in a private warehouse in Singapore. Is GST applicable at the time of removal of the goods from the port?*

Goods that are for transshipment will not attract GST if they are stored in the Free Trade Zone (FTZ) or the Bonded Warehouse. If they are removed from the port into the private warehouse in Singapore, GST will be applicable at the point of removal of the goods.

3.6 *Is GST applicable on the charter of vessels?*

No. The charter of the vessel is a zero-rated supply unless the services supplied under the charter are performed substantially in Singapore. The services are:

- (i) transport of passengers;
- (ii) accommodation;
- (iii) entertainment;
- (iv) catering of food or beverages; and
- (v) education.

4 SHIP MANAGEMENT & SHIP AGENCY SERVICES

4.1 *The GST Act provides that "ship management services" can qualify for zero-rating. What are the services that can be zero-rated under ship management?*

Ship management services include the following :

provision of technical services, for example, the arrangement and supervision of dry-docking and repair of vessels
engagement and replacement of crew
arrangement of salvage and towage of vessels
arrangement and supervision of the operations of vessels
arrangement for the employment of vessels
construction supervision services, for example, to ensure that the vessel is constructed according to specifications

It also includes **ship agency** services like

- (i) ship husbandry services; and
- (ii) liaisons with parties involved in the import/export of cargo, and other ancillary activities to ensure the smooth movement of cargo.

Such services are zero-rated supplies under the GST Act.

4.2 *As a ship management company, are my services to overseas principals subjected to GST? I am also managing Singapore registered ships. Are my services to the local ship owners subjected to GST?*

Ship managing services e.g. provision of crew, scheduling, technical management, etc. are zero-rated supplies if they are supplied to the owner, operator or agent of the vessel. This is regardless of whether the customer is a local or overseas person.

The same principle applies to ship agency services.

4.3 *As a shipping agent, we are paid a fixed fee each year for our services. Our principal will also reimburse us for other charges incurred by us, for example, port dues and stevedorage charges. Are the charges made to the principal subjected to GST?*

As a shipping agent, you incurred other charges in order to service your principal. These other charges are treated as supplies of services made to you. If the services were subjected to GST and used for business purposes, you can claim the GST paid as your input tax.

The value of your supply of services would include the fixed fee and other charges which you would recover at cost from your principal. Thus, both the fixed fee and the "reimbursements" would comprise the value of your supply of ship agency services. The ship agency services if provided to the owner or operator of the ship would be zero-rated supplies.

However, if you also incurred expenses on behalf of the crew of the vessel, for example, medical and sightseeing expenses, the GST on the expenses paid cannot be claimed as input tax. This is because the expenses were incurred by the crew in their personal capacity. You should instead seek a reimbursement from your principal on the full sum of the expenses incurred.

4.4 *In carrying out my duties as a ship agent, I incurred port charges in respect of:*

- (i) ships eg. wharfage charges***
- (ii) cargoes eg. container handling charges.***

Are these charges subjected to GST?

Services provided within any **Free Trade Zone** or the **designated area** of a port in respect of:

- (i) the handling of ships;***
- (ii) the handling or storage of goods carried in a ship;***

are zero-rated supplies.

(Please refer to Appendix 2 for a list of handling activities that are zero-rated).

The designated areas of the port include Jurong Marine Base, Loyang Offshore Supply Base and any area declared to be a Port under the Maritime and Port Authority of Singapore Act.

5 GENERAL

5.1 What is the exchange rate to be used for calculating GST for imports?

For import of goods into Singapore, GST is to be paid at the point of importation. The value of the imports should be in Singapore dollars. However, if the import value is expressed in foreign currency, the exchange rate to be used is determined by the Singapore Customs.

APPENDIX 1

Section 21 of the GST Act provides that goods exported from Singapore and international services are zero-rated supplies.

The following is an extract from the GST Act which lists the international services.

INTERNATIONAL SERVICES

Section 21(3):

A supply of services shall be treated as a supply of international services where the services or the supply are for the time being of any of the following descriptions:

- (a) services (not being ancillary transport activities such as loading, unloading and handling) comprising the transport of passengers or goods –
 - (i) from a place outside Singapore to another place outside Singapore;
 - (ii) from a place in Singapore to a place outside Singapore; or
 - (iii) from a place outside Singapore to a place in Singapore;
- (b) services (including any ancillary transport activities such as loading, unloading and handling) comprising the transport of goods from a place in Singapore to another place in Singapore to the extent that those services are supplied by the same supplier as part of the supply of services to which paragraph (a) (ii) or (iii) applies;
- (c) services (other than the letting on hire of any means of transport) comprising the insuring or the arranging of the insurance or the arranging of the transport of passengers or goods to which any provision of paragraphs (a) and (b) applies;
- (d) the letting on hire of any means of transport for use in a place outside Singapore throughout the period of the hiring which –
 - (i) are exported by the lessor to such a place; or
 - (ii) are in such a place at the time of the supply;
- (e) services supplied directly in connection with land or any improvement thereto situated outside Singapore;
- (f) services supplied directly in connection with goods situated outside Singapore when the services are performed;

GST And The Marine & Shipping Industries

- (g) services supplied directly in connection with goods for export outside Singapore and supplied to a person who belongs in a country other than Singapore, at the time the services are performed;
- (h) prescribed financial services supplied directly in connection with goods for export outside Singapore:
- (i) services of any of the following descriptions which are performed wholly outside Singapore:
 - (i) cultural, artistic, sporting, educational or entertainment services: or exhibition or convention services; or
 - (ii) services ancillary to, including that of organising the performance outside Singapore of the services referred to in sub-paragraphs (i) and (ii);
- (j) services supplied for and to a person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed, not being services which are supplied directly in connection with
 - (i) land or any improvement thereto situated inside Singapore; or
 - (ii) goods situated inside Singapore at the time the services are performed, other than goods referred to in paragraph (g);
- (k) prescribed services supplied for and to a person wholly in his business capacity (and not in his private or personal capacity) who in that capacity belongs in a country other than Singapore;
- (l) services provided within any free trade zone or the designated area of port, terminal or airport for -
 - (i) the handling of ships or aircraft;
 - (ii) the handling or storage of goods carried in a ship or aircraft;
- (m) pilotage, salvage or towage services performed in relation to ships or aircraft;
- (n) services comprising the surveying of any ship or aircraft or the classification of any ship or aircraft for the purposes of any register;
- (o) the supply (including the letting on hire) of any ship or aircraft:
- (p) the repair, maintenance, broking or management of any ship or aircraft, being services which are provided to the owner, operator or agent of the ship or aircraft;
- (q) prescribed services comprising the provision of any means of telecommunications transmitted –

- (i) from a place outside Singapore to another place outside Singapore;
 - (ii) from a place in Singapore to a place outside Singapore; or
 - (iii) from a place outside Singapore to a place in Singapore:
- (m) services supplied by a trustee, where the services and the trustee supplying such services satisfy such conditions as may be prescribed; or
- (n) services supplied for and to a person who belongs in a country other than Singapore relating to co-location in Singapore of computer server equipment belonging to that person.

Section 21(4)(a) defines the following:

- "**aircraft**" means an aircraft which is not used or intended for use for recreation or pleasure;
- "**co-location**", in relation to computer server equipment, means the provision of a physical environment for the operation of the computer server equipment;
- "**designated area**" in relation to a port, terminal or airport means such area in or land or waters adjacent to a port, terminal or airport as the Minister may by order designate for the purposes of this section;
- "**ship**" means a ship (including an oil rig) which is not designed or adapted for use for recreation or pleasure and excludes any vessel licensed under the Maritime and Port Authority of Singapore Act as a passenger harbour craft or pleasure craft.

Section 21(4)(c):

The **supply** in subsection (3)(o) of a ship includes the supply of services under a charter of that ship except where the services supplied under such a charter consist of any of the following:

- (i) transport of passengers;
- (ii) accommodation;
- (iii) entertainment;
- (iv) catering of food or beverage;
- (v) education,

being services performed substantially in Singapore.

EXPORT OF GOODS

Section 21(6):

"A supply of goods is zero-rated where the Comptroller is satisfied that the person supplying the goods –

- (a) has exported them; or
- (b) has shipped them for use as stores on a voyage or flight to or from a destination outside Singapore or as merchandise for sale by retail to persons carried on such a voyage or flight in a ship or aircraft,

and in either case, if such other conditions or restrictions, if any, as may be prescribed by the Minister in regulations or as the Comptroller may impose are fulfilled."

APPENDIX 2

Ship handling activities include the following:

- port and harbour dues
- dock and berth charges
- conservancy charges (including the provision of local lights, buoys and beacons)
- mooring/wharfage charges demurrage (where this is a charge for failing to load or discharge a ship within specified time)
- security and fire services

Goods handling services include the following:

- transport ancillary to the handling of ships or their cargo (including the movement of goods to or from a ship by lighter)
- stevedoring and portorage
- loading, unloading, reloading, stowing, securing and shifting cargo for the use of cranes and weighing machines together with an operator. (If you provide a crane without an operator your supply is standard rated.)
- sorting, opening for inspection, repairing and making good weighing and taring, taping and sealing, erasing and re-marking, labelling and re-numbering, tallying, checking, sampling, measuring or gauging of goods
- survey of cargo (including damaged cargo)
- cargo security services
- presenting goods for customs examination
- preparing or amending customs entries
- preparing or amending bills of lading, air waybills, and certificates of shipment
- container handling for which a box charge is made
- transit rate, basic rate, consolidated rate and stevedoring rate, if they relate **solely** to goods handling at FTZ or designated areas.