

# **GOODS AND SERVICES TAX**

## **GST AND THE SHIP CHANDLERS**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

Published by  
Inland Revenue Authority of Singapore

Revised on Nov 2004

© 2007 IRAS Singapore. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

## **TABLE OF CONTENTS**

1	INTRODUCTION.....	1
2	OVERVIEW.....	1
3	STORES .....	2
4	SUPPLY OF SERVICES.....	4
5	GENERAL.....	6

## 1 INTRODUCTION

This booklet is designed to explain the impact of Goods and Services Tax on Ship Chandlers. It has been prepared based on the Goods and Services Tax Act (Cap 117A) and the subsidiary legislation made under the Act.

## 2 OVERVIEW

### 2.1 What is the scope of the tax?

Goods and Services Tax (GST) which came into effect on 1 April 1994 is a tax on all taxable supplies of goods and services made in Singapore by a taxable person in the course of his business.

The supply of goods will, however, be zero-rated if they are:

- (a) exported; or
- (b) shipped for the use as stores or for sale on ships for voyages outside Singapore.

### 2.2 Who is liable to register for GST?

A person (which includes a company) whose total taxable turnover exceeds or is expected to exceed \$1 million is liable to register for GST.

A person whose total turnover of taxable supplies is less than \$1 million may volunteer to register for GST. However, once he is voluntarily registered, he must remain registered for at least 2 years.

### 2.3 What is zero-rating?

Zero-rating means that the tax charged on the supply of goods and services is at zero percent. In other words, there is no output tax to be collected for the supply of goods and services that he makes to his customers. The taxable person, however, is entitled to a refund of the input tax that he paid on his taxable purchases including imports.

### **2.4 When calculating my turnover, do I have to take into account the values of my zero-rated supplies?**

Yes. A zero-rated supply is still a taxable supply, only that the tax is payable at the rate of zero percent. Therefore the value of zero-rated supplies has to be taken into account in determining if a person is liable to register for GST.

More details on the scope of GST is available at IRAS website ([www.iras.gov.sg](http://www.iras.gov.sg)).

## **3 STORES**

### **3.1 What type of stores can be zero-rated?**

Goods which are used as stores in a ship or aircraft can be zero-rated. They include,

- (a) bunker fuel;
- (b) goods to be used for repairs or maintenance, for example, lubricants, spare and replacement parts;
- (c) goods for general use on board, for use by the crew; and
- (d) goods for sale in a ship on a voyage, for example, souvenirs sold on board.

Therefore, the sale of stores delivered directly to a ship on a voyage to a destination outside Singapore will be zero-rated.

### **3.2 Can all my supplies of stores to a ship or aircraft be zero-rated?**

A supply of stores is zero-rated only if the goods are supplied directly to a foreign going vessel ie. to a destination outside Singapore. Therefore, a supply of stores to a local shipping agent to be subsequently used as stores on board a vessel will not be zero-rated as it is not supplied directly to the vessel. The local shipping agent can, however, claim the GST paid on the purchases as input tax.

### 3.3 What documents must I have to substantiate my export of stores?

You must ensure that you hold commercial documents relating to the export transaction and keep them readily available. These documents would include:

- (a) Invoice
- (b) Bill of Lading
- (c) Bunker receipt
- (d) Proof of receipt of stores delivered on board the vessel ie. delivery order signed by the master of the vessel
- (e) Freight and packing details
- (f) Purchase Order
- (g) Evidence of payment

With effect from 1 January 2007, you are required to keep for 5 years, records pertaining to prescribed accounting periods ending on or after 1 January 2007. However, you are required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.

### 3.4 When do I have to account for the GST charged on my standard-rated supplies to the Comptroller of GST?

Standard-rated supplies are taxable supplies of goods or services supplied in Singapore e.g. sales of goods to a local person and the goods are delivered in Singapore. These supplies are subject to 7% GST.

You have to account for the GST charged on your taxable supplies at the earliest of the following events:

- (a) Removal of the stores for delivery to the vessel;
- (b) Date of issue of tax invoice; or
- (c) Date of payment.

However, if the tax invoice is issued within 14 days from the date of removal of the stores, you will have to account for GST based on the date of the tax invoice.

For example:

XYZ Ship Chandler is registered for an accounting period ending 30th June.

Date of delivery of stores to 'Royal Highness'	:	21st June
Date of invoice	:	28th June
Date of payment	:	15th July

## GST And The Ship Chandlers

---

The time of supply is triggered on 28th June as the tax invoice was issued within 14 days from the date of removal of stores. Therefore, the output tax should be accounted for in the GST return for the accounting period ending 30th June.

### **3.5 Must I pay GST on goods imported for the supply as stores in foreign-going vessels?**

As a general rule, GST has to be paid at the point of importation. However, if a substantial percentage (51% or more) of your total sales is exported, you may apply for approval to come under the Major Exporter Scheme (MES). Under this scheme, you would not be required to pay GST at the point of importation. Please refer to the "Major Exporter Scheme" booklet, available from our website, for more details.

### **3.6 How do I define "ship" for the purpose of zero-rating my supplies?**

Under Section 21(4)(a) of the GST Act, a ship is defined as one (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.

## **4 SUPPLY OF SERVICES**

- 4.1 I am an agent. I accept purchase orders from a local client and I arrange for the import of the goods from an overseas manufacturer. I then clear the goods from Customs and send them to the local client. I receive commission from both the local client and the overseas manufacturer. Do I have to charge GST on the service that I provide to**
- (a) my local client?**
  - (b) the overseas manufacturer?**

(a) Service to local client

Yes, you have to charge GST to your local client. This is because your supply of services is made in Singapore and to a local trader.

(b) Service to overseas manufacturer

If your service is to help the overseas manufacturer find buyers for their goods, you can zero-rate the supply of service if:

- (i) the overseas manufacturer does not belong in Singapore i.e who is outside Singapore when the services are performed; and
- (ii) the goods are not in Singapore when the services are performed.

**4.2 I am a transport company/freight forwarder and I arrange for the transport of goods from a foreign country to Singapore. Can I zero-rate my service?**

Your service can be zero-rated, to both your local and overseas customer, if you arrange the transportation of goods from:

- (a) a place outside Singapore to another place outside Singapore (includes goods which are transhipped through Singapore); or
- (b) a place in Singapore to a place outside Singapore (ie. export); or
- (c) a place outside Singapore to a place in Singapore (ie. import).

**4.3 In addition to providing the international transportation of goods as above, I also provide the service of clearing the goods from Customs and transporting them to the importer's warehouse in Singapore. Is my service zero-rated?**

If you provide transportation services for the entire journey (ie. for both the domestic and international segments), the entire supply of services is zero-rated as the domestic supply is an integral part of the entire supply.

However, if the services comprise only the domestic transport and handling of goods within Singapore to a local person, the services are considered as a domestic supply and will be subject to GST at the standard rate i.e. 7%.

### **5 GENERAL**

#### **5.1 When I give my client a trade discount, what is the value of my supply?**

The value of supply is the price of the goods reduced by the discount. It does not matter whether the client ultimately takes up the discount or otherwise.

For example, if the price of the goods is \$1,000 and you give your client payment terms 5/10, n30 (ie. a 5% discount on the price of the goods if payment is made within 10 days, otherwise, the full amount to be paid within 30 days). The value of supply for calculating the GST amount chargeable is the discounted value of \$950. It does not matter whether your client is able to take up the offer to pay you within 10 days.

#### **5.2 My GST return shows that a sum would be refunded to me. How long must I wait to get back my refund?**

If you file monthly GST return, you can expect the refund to be made within 1 month after the Comptroller of GST has received the return.

On the other hand, if you file quarterly GST returns, then you can expect the refund to be made within 3 months after the return is received by the Comptroller of GST.