

Budget Speech 2006

Annex B: Tax Changes to Grow Dynamic Maritime and Logistics Industries

	Current Treatment	New Treatment
Maritime Financing Incentive (MFI)	Ship investment vehicles and ship investment managers do not get any tax concession.	<p>An MFI scheme will be introduced with effect from Year of Assessment 2007 to grow ship financing activities in Singapore. Under the MFI,</p> <p>(a) The <u>ship investment vehicle</u> (which can be a ship leasing company, a shipping fund or a shipping trust) will get tax exemption on qualifying income; and</p> <p>(b) The <u>ship investment manager</u> (which can be a fund management company or a trustee manager) will get a 10% concessionary tax rate on qualifying income.</p> <p>The MFI status will be granted from 1st March 2006 to 28th February 2011 for a period not exceeding 10 years. The Maritime Port Authority of Singapore will announce further details by June 2006.</p>

	Current Treatment	New Treatment
Third incentive period for the Approved International Shipping Incentive	The Approved International Shipping (AIS) Scheme, which incentivises international shipping enterprises to base in Singapore, confers a tax exemption status on income derived from international shipping operations. Currently, companies are granted the AIS status for a 10-year period and may only renew the AIS <u>once</u> for another 10-year period. Hence companies may only enjoy a maximum 20-year period of incentive.	With effect from 2007, shipping companies may apply for a 3rd AIS incentive period of 10 years, thus enjoying an increase in the maximum period of the incentive from 20 years to 30 years. Companies may apply to The Maritime and Port Authority of Singapore for the AIS incentive.
Removal of incidental condition for Global Trader Programme (GTP)	The Global Trader Programme (GTP) incentivises international trading in physical commodities. Traders, who currently enjoy a 10% concessionary tax rate under the GTP, are required to show that their Over-The-Counter (OTC) hedging derivative trades are in connection with and incidental to the trading in physical goods before the income from such derivative trades qualify for the 10% tax concession.	To reflect the changing operational environment where trading companies engage in more sophisticated strategies to hedge their physical trades with paper trades, the requirement to show that derivative trades are in connection with and incidental to trades in physical goods for the purpose of the tax concession will be removed with effect from the Year of Assessment 2007.
Waiver of GST on goods removed from ZG warehouses by MES and Approved 3PL persons	Currently, GST must be paid on goods removed for local consumption from Zero GST (ZG) warehouses <i>unless</i> the removals are made under the existing Waiver Scheme	To promote Singapore as a logistics hub, the current restrictions will be lifted on the Waiver Scheme to allow automatic GST suspension for goods removed from ZG

	Current Treatment	New Treatment
	by Major Exporter Scheme (MES) persons. The existing Waiver Scheme can only be used with prior approval from IRAS and only for specific business scenarios.	warehouses by <i>all</i> persons registered under the MES or the Approved Third Party Logistics (3PL) Company Scheme. This will take effect from 1 July 2006.