

TAX ALERT – MARITIME SECTOR INCENTIVE

JUNE 2025

Our monthly tax newsletter brings you timely and relevant updates on key developments in Singapore’s tax and regulatory landscape. From legislative changes to evolving compliance requirements, each issue is designed to help businesses stay informed and proactive.

In this edition, we spotlight Singapore’s strategic positioning as a global maritime hub, underpinned by its liberal shipping policy and robust suite of tax incentives tailored for the maritime sector. These incentives under the Maritime Sector Incentive framework not only encourage companies to register ships under the Singapore flag but also to anchor their shipping operations and maritime-related services locally.



Overview of MSI Incentives

The MSI currently grants tax exemptions and concessionary tax rates to ship operators, maritime lessors and providers of shipping-related support services under 5 sub-schemes:

- Maritime Sector Incentive - Singapore Registry of Ships (“MSI-SRS”) Scheme
- Maritime Sector Incentive - Approved International Shipping (“MSI-AIS”) Scheme
- Maritime Sector Incentive - Supporting Shipping Services (“MSI-SSS”) Scheme
- Maritime Sector Incentive - Maritime Leasing (Ship) (“MSI-ML (Ship)”) Scheme
- Maritime Sector Incentive - Maritime Leasing (Container) (“MSI-ML (Container)”) Scheme

Expansion of Scope of Qualifying Activities under MSI sub-schemes

Effective from 19 February 2025, the scope of qualifying activities will be expanded to support green and digital maritime initiatives:

- Emission management services will be included under MSI-SRS, MSI-AIS, and MSI-SSS;
- Offshore renewable energy activities under MSI-SRS, MSI-AIS and MSI-ML (Ship) will now cover the subsea distribution of renewable energy generated onshore;
- Inclusion of assets leased-in from third parties under finance leases treated as sales agreements as qualifying assets under MSI-ML (Ship) and MSI-ML (Container); and
- The MSI-SSS will expand to include maritime technology services, reinforcing Singapore’s maritime tech ambitions.

Overview of the NTT basis

To better align Singapore tax regime for shipping entities with common international practices, an alternative net tonnage basis of taxation (“NTT basis”) is available for qualifying shipping enterprises under the MSI-SRS, MIS-AIS and MSI-ML(Ship) Schemes with effect from Year of Assessment (“YA”) 2024.

The existing Annual Tonnage (“ATT”) paid to Maritime and Port Authority of Singapore (“MPA”) is for registration of ships with Singapore Registry of Ships (SRS). A Shipping entity that owns ship registered with SRS continues to be liable for ATT to MPA, regardless of whether it has made an election for the NTT basis and paid the relevant taxes to Inland Revenue Authority of Singapore (“IRAS”).

Under the NTT basis, the electing entity will compute its tax base by reference to the net tonnage of its qualifying ships. This is based on the deemed income per the table below and the number of days that the ships were in operation during the basis period of the YA.

Net tonnage ("NT") of qualifying ship	Deemed income for each day that the qualifying ship is used to derive qualifying income	
	Conventional ship	Green Ship
First 1,000 net tons (NT)	S\$0.90 for each 100 NT*	S\$0.60 for each 100 NT*
First 1,000 NT	S\$9.00	S\$6.00
Next 9,000 NT	S\$0.60 for each 100 NT*	S\$0.60 for each 100 NT*
First 10,000 NT	S\$63	S\$33
In excess of 10,000 NT	S\$0.30 for each 100 NT*	S\$0.30 for each 100 NT*

Once made, the election is irrevocable and is 'locked-in' until the end of the MSI tenure. Re-election is allowed upon the renewal of the MSI award by MPA.

MSI requirement (e.g. minimum local business spending, headcount, annual reporting requirement etc.) that were agreed upon prior to the election of NTT basis will continue to apply.

The NTT payments qualify as "covered taxes" under Globe Rules, reducing the risk of double taxation. Shipping companies must assess whether their income qualifies for exclusions or if NTT adoption is beneficial.

Deemed income under NTT basis

Under the NTT basis, tax adjustments are no longer required for qualifying income. The electing shipping entity will compute its tax base by reference to the net tonnage of its qualifying ships, a deemed daily income per net ton and the number of days that the ships were in operation during the basis period of the YA. Thereafter, the electing entity will subject the deemed income to tax at the prevailing corporate income tax rate, i.e. currently 17% with the following to be taken into account.

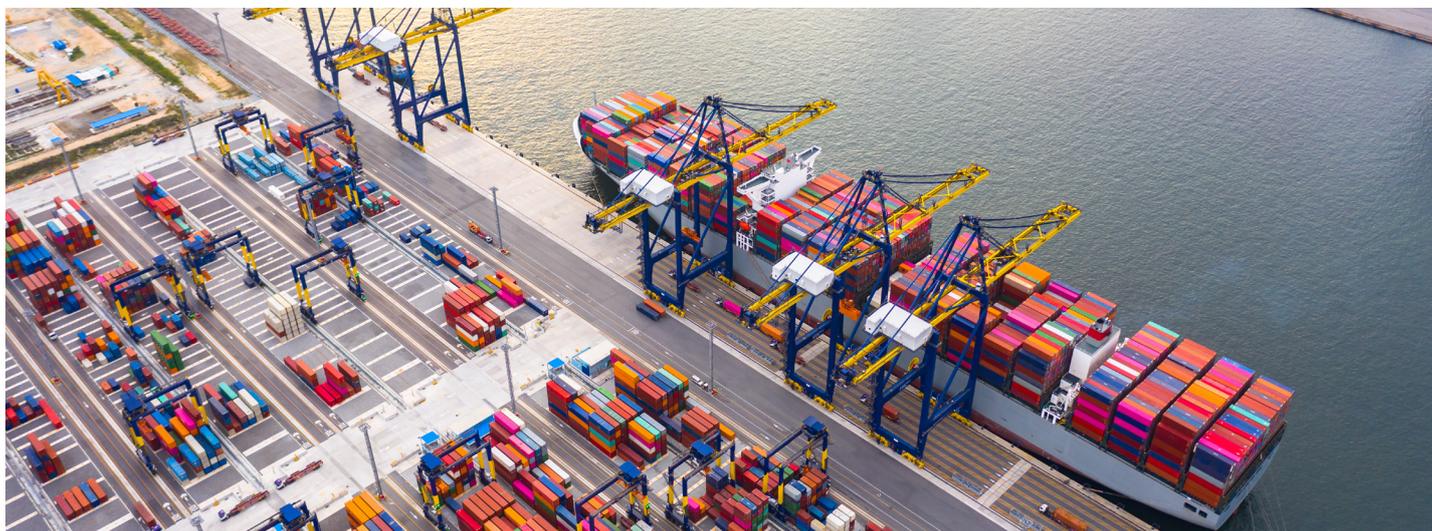


- Partial tax exemption, tax exemption for new start-up companies, and deductions do not apply to the income computed under NTT basis.
- Any utilised capital allowances, trade losses and donations (i.e. unutilised items) cannot be deducted against the income computed under NTT basis.
- The entity is not eligible to claim carry-back of capital allowances and losses or group relief against the income computed under the NTT basis.
- Foreign tax credit ("FTC"), where applicable, can be claimed subject to the entity meeting all qualifying conditions under existing tax rules, and the terms and conditions of the relevant double taxation agreement in the case of claims for double tax relief.
- Corporate income tax rebate, if any, is applicable for that YA.

Election process

- Shipping entities that wish to elect for the NTT basis can submit the election form at <https://go.gov.sg/electionform> at any time during the MSI Company's incentive tenure.
- Upon submission of the election form, an auto-generated acknowledgement of receipt will be issued with the submitted information, including the effective date/ YA of the election. An addendum to the MSI-AIS letter of award will also be issued.
- The shipping entities must also submit the following documents to the IRAS:
 - Income Tax Return (Form C);
 - Income tax computation with the calculations of corporate income tax payable under NTT basis and supporting notes / schedules; and
 - The following disclosure should be provided in the income tax computation for that YA when it first makes the election and all subsequent YAs in which the election is in effect:

"The company has elected for the alternative net tonnage basis of taxation (NTT basis) under the Maritime Sector Incentive with effect from."
- Other documents as required by IRAS (e.g. audited accounts)



MSI Awards

While companies that qualify under the MSI-SRS scheme do not need to submit a formal application since the tax exemption is claimed through annual tax filings with IRAS. The other MSI sub-schemes, requires formal application and approval process.

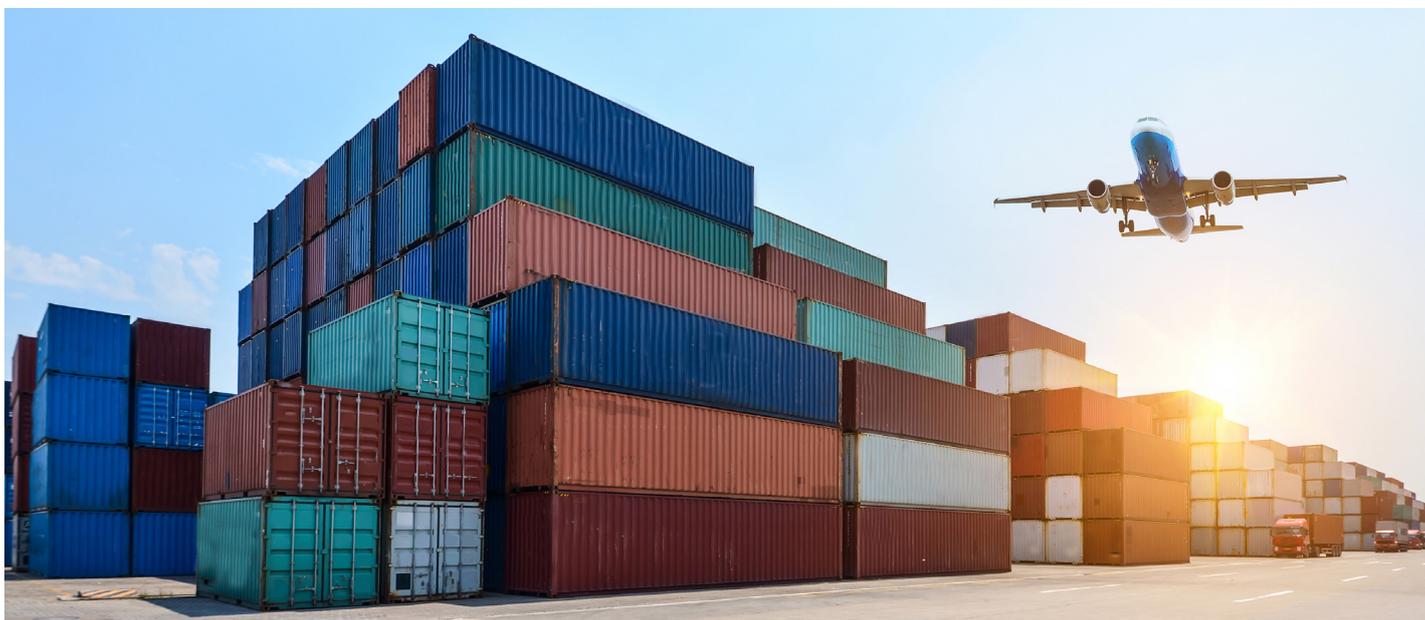
Applicants with a good track record and a demonstrable business plan for their shipping or maritime-related operations in Singapore may apply for the relevant MSI awards. The awards are granted by the MPA upon satisfying the relevant qualifying conditions and demonstrating commitment to developing substantive shipping or maritime-related activities in Singapore.

The table below outlines the key features, qualifying criteria, and tax benefits of the MSI awards under 5 sub-schemes. It provides a side-by-side comparison to help businesses assess which scheme best suits their operational model and long-term strategic plans, based on factors such purpose, tax benefit and the duration of the respective award.

Award	Application required?	Eligibility conditions	Tax Benefit	Duration
MSI-SRS Singapore Registry of Ships	No (Tax exemption is claimed through annual tax filings with IRAS)	<ul style="list-style-type: none"> • Ship must be registered under a Singapore-incorporated company (can be 100% foreign-owned) with a minimum paid-up capital of S\$50,000 • Ship must be registered under the Singapore Registry of Ships (“SRS”) • Vessel must be plying in international water deriving qualifying shipping income • Shipping enterprises can be either resident or non-resident for Singapore tax purposes 	<p>Tax exemption on qualifying shipping income; or</p> <p>Option to adopt NTT basis. Once made, the election is irrevocable and is ‘locked-in’ until the end of the MSI tenure. Re-election is allowed upon the renewal of the MSI award by MPA.</p>	Exemption remains in force as long as the ship remains a SRS

Award	Application required?	Eligibility conditions	Tax Benefit	Duration
<p>MSI-AIS</p> <p>Approved International Shipping</p>	<p>Yes</p>	<ul style="list-style-type: none"> • Must be a resident in Singapore (management and control of its shipping operations based in Singapore) • Be an established international shipowner and ship operator engaged in international shipping (and possess a team with professional shipping expertise in Singapore) • Have a direct attributable business spending in Singapore of S\$27.5m over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) • Ownership of ships is encouraged, although not a pre-requisite • Support and make significant use of Singapore's trade infrastructure such as banking, financial, business, training, arbitration and other ancillary services 	<p>Tax exemption on qualifying shipping income; or</p> <p>Option to adopt NTT basis. Once made, the election is irrevocable and is 'locked-in' until the end of the MSI tenure. Re-election is allowed upon the renewal of the MSI award by MPA.</p>	<p>10 year renewable period; or 5 year non-renewable (with option to graduate to the 10-year renewable award at the end of 5-year period), if qualifying conditions are met</p> <p>Application must be made on or before 31 December 2031</p>
<p>MSI-ML (Ship)</p> <p>Maritime Leasing (Ship)</p>	<p>Yes</p>	<ul style="list-style-type: none"> • Must be able to demonstrate that the ship financing operation will generate economic contribution to Singapore through various means, including business spending (see below), employment and strategic decision-making based in Singapore. • Have a direct attributable business spending in Singapore of S\$25m over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) 	<p>Tax exemption on qualifying leasing income; or</p> <p>Option to adopt NTT basis. Once made, the election is irrevocable and is 'locked-in' until the end of the MSI tenure. Re-election is allowed upon the renewal of the MSI award by MPA</p> <p>Assets leased-in from third parties under Finance Lease is allowed as qualifying assets</p> <p>10% concessionary rate on qualifying management income</p>	<p>Up to 5 years (renewable)</p> <p>Application must be made on or before 31 December 2031</p>

Award	Application required?	Eligibility conditions	Tax Benefit	Duration
MSI-ML (Container) Maritime Leasing (Container)	Yes	<ul style="list-style-type: none"> Must be able to demonstrate that the container financing operation will generate economic contribution to Singapore through various means, including business spending (see below), employment and strategic decision-making based in Singapore. Have a direct attributable business spending in Singapore of S\$12m (for concessionary rate 5%) / S\$8 million (for concessionary rate of 10%) over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) 	5% or 10% concessionary rate on qualifying leasing income Assets leased-in from third parties under Finance Lease is allowed as qualifying assets 10% concessionary rate on qualifying management income	Up to 5 years (renewable) Application must be made on or before 31 December 2031
MSI-SSS Supporting Shipping Services	Yes	<ul style="list-style-type: none"> Set up their corporate services function in Singapore Have an incremental direct attributable business spending in Singapore of S\$6m over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) 	10% concessionary tax rate on incremental qualifying approved supporting shipping service income	5-year renewable period





Related Concessions

- With effect from 2005, foreign exchange and derivatives gains derived by Singapore flagged ships and AIS companies will automatically be regarded as shipping-related hedging gains, and will hence qualify for tax exemption under their respective schemes.
- Automatic withholding tax (“WHT”) exemption on qualifying payments made in respect of qualifying foreign loans taken, from 1 June 2011 to 31 December 2031, to finance the purchase or construction of Singapore flagged ships under the MSI – SRS scheme and foreign-flagged ships under the MSI - AIS scheme. To enjoy the automatic withholding tax exemption, companies would need to submit a self-declaration form for each loan obtained.

With effect from 12 December 2018, the scope of WHT exemption for charter payments for ships and container lease payments under the MSI schemes, is expanded to cover finance lease payments.

With effect from 15 January 2020, the scope of the WHT exemption is expanded to cover financing arrangements used to purchase and install scrubbers, alternative fuel systems and technology systems (collectively known as “environmental solutions”) on board a ship to reduce sulphur emissions. These costs would have to be included in the same financing agreement for the purchase or construction of Singapore and foreign-flagged ships under the MSI schemes.

- Qualifying in-house ship management fees derived on or after 22 February 2010 by a shipping enterprise under the MSI – SRS scheme that owns or operates an SRS or an MSI – AIS parent or MSI – AIS managing company, approved under the MSI – AIS scheme, from the rendering of qualifying ship management services to qualifying related Special Purpose Vehicles (“SPV”), would be exempted from tax.

With effect from 19 February 2020, the scope of in-house ship management income exemption is expanded to allow MSI – AIS sister companies and MSI – AIS local subsidiaries to enjoy tax exemption on such income as well.

- Payments of charter hire fees to non-residents for ships chartered-in on operating leases and operated under the MSI – AIS scheme are exempted from withholding tax.

With effect from 12 December 2018, the scope of WHT exemption is expanded for MSI companies to include arrangements classified as finance leases (regardless of whether it is a finance lease treated as sale or not) for tax purposes. Effectively, the MSI companies will no longer need to submit the self-declaration forms to obtain withholding tax exemption on qualifying charter payments.

For the non-MSI companies, the WHT exemption is accorded on payments of charter hire fees for all ocean-going ships chartered-in on operating leases.

- With effect from 19 February 2025, the new Approved Shipping Financing Arrangement ASFA award was introduced to support the ownership and management of ships and sea-containers from Singapore by non-MSI companies.

Approved entities are exempt from WHT on interest and related payments made to non-resident lender under qualifying ship and container arrangements entered into on or before 31 December 2031.

ASFA award recipients are also exempted from WHT on ship and container lease payments made to non-resident lessors under Finance Lease arrangement, excluding payments through a permanent establishment in Singapore.

To enjoy the withholding tax exemption, companies would need to submit a self-declaration form for each financing arrangement obtained.

If you require any clarification on the updates shared in this newsletter or would like to discuss how these developments may impact your business, please feel free to reach out to us. Our team is ready to assist you with your tax compliance and advisory needs.



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