


SINGAPORE - A MAJOR MARITIME HUB





Singapore anchors its position as a global maritime hub, offering a comprehensive ecosystem of tax incentives, infrastructure, and regulatory certainty. The Maritime Sector Incentive (“MSI”) framework administered by the Maritime and Port Authority of Singapore (“MPA”) remains a cornerstone of Singapore’s maritime competitiveness.

Through the MSI, eligible companies can enjoy reduced or exempted tax rates on qualifying income derived from international shipping and related activities.

Overview of MSI Incentives

The MSI offers various tax incentives that encourage the development of shipping operations, ship management, ship leasing, and shipping-related support services in Singapore. It comprises several award categories catering to different segments of the maritime industry, including:

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

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 the Inland Revenue Authority of Singapore (“IRAS”), the other MSI sub-schemes require a 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.

1) MSI-SRS Scheme

The MSI-SRS award aims to promote the growth of Singapore’s shipping industry and encourage more vessels to register under the Singapore flag. Under this scheme, full corporate tax exemption is granted on qualifying shipping income derived from ships that are registered with the Singapore Registry of Ships (“SRS”).

No formal application is required and the exemption which is claimed through the company’s annual tax filing with the IRAS, remains in force for as long as the ship continues to be registered under the SRS.

The exemption covers shipping income derived from qualifying shipping operations, including:

- Time charter, and bareboat charter of Singapore-registered ships;
- Carriage of passengers, mails, livestock, or goods;
- Operation of dredger, seismic ship or any ship used for offshore oil or gas activity;
- Mobilisation fees, demobilisation fees, holding fees, and incidental container rental income derived in the course of qualifying shipping operations; and
- Finance lease income from the leasing of ships.

In addition, gains from the sale of ships under the MSI-SRS scheme are also exempt from tax. This exemption extends to sale and leaseback transactions, the sale of shares in a special purpose company (“SPC”) owning MSI-SRS ships, and sales of ships under construction.

To qualify for this exemption, the ship must:

- Be registered with SRS and legally owned by a Singapore-incorporated company, which may be 100% foreign-owned, with a minimum paid-up share capital of S\$50,000; and
- Ply in international waters, which include voyages between Singapore and other countries and voyages between places outside Singapore.



Shipping enterprises eligible for the MSI-SRS scheme may be shipowners or operators, and may be a Singapore tax resident or non-resident for Singapore tax purposes. The management and control of the MSI-SRS shipping enterprise can therefore be exercised anywhere in the world.

The income exempt under MSI-SRS scheme can be distributed as tax-exempt dividends to shareholders.

To further promote vessels registration under the Singapore flag, the MPA introduced the Block Transfer Scheme (“BTS”), offering discounts on ship registration fees for companies registering multiple vessels simultaneously.

The BTS applies to the following minimum combinations of ships and aggregate net tonnage (NT):

- 1 ship aggregating at least 40,000 NT;
- 2 ships aggregating at least 40,000 NT;
- 3 ships aggregating at least 30,000 NT;
- 4 ships aggregating at least 20,000 NT;
- 5 ships of any aggregate tonnage.

The standard ordinary registration fee is S\$2.50 per NT, subject to a minimum of S\$1,250 (500 NT) and a maximum of S\$50,000 (20,000 NT). Under the BTS, the discounted fee is S\$0.50 per NT, subject to a minimum of S\$1,250 (2,500 NT) and a maximum of S\$20,000 (40,000 NT) per vessel.



2) MSI-AIS Scheme

The MSI-AIS scheme was introduced to encourage major international shipowners and operators to locate their commercial operations in Singapore.

Under this scheme, the qualifying income derived from the operation of its non-Singapore flagged ships is exempt from corporate tax.

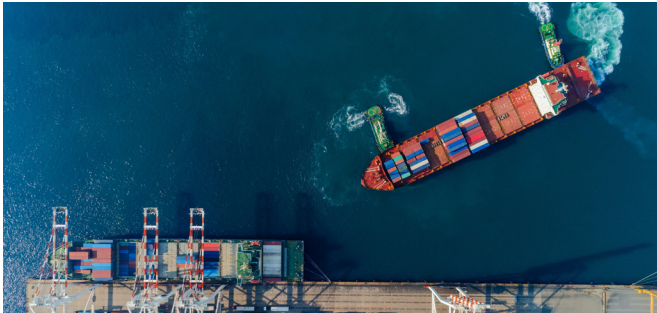
The qualifying income under MSI-AIS scheme includes:

- Time charter fees and freight income derived from the operation of non-Singapore flagged ships.
- Income from operating or chartering of dredger, seismic ship or any ship used for offshore oil or gas activity;
- Mobilisation fees, demobilisation fees, holding fees, and incidental container rental income derived in the course of qualifying shipping operations;
- Finance lease income from the leasing of a ship;
- Gain derived from the sale of ships operated under the MSI-AIS scheme, including sales and lease-back transactions, sales of shares in SPC owning MSI-AIS ships and sales of ships under construction;
- Qualifying dividends from approved subsidiaries and associated shipping companies of the MSI-AIS company.

The MSI-AIS scheme also extends to qualifying income derived from the operation of Floating Production Storage Offloading vessel and Floating Storage Offloading vessel (“FPSO / FSO”), towage vessels, salvage ships, dredgers, seismic vessels and semi-submersible oil rigs, ships for offshore renewable energy activity or offshore mineral activity, and subsea distribution of renewable energy generated onshore (with effect from 19 February 2025).

Income exempted under MSI-AIS scheme can be distributed as tax-exempt dividends.

The scheme is administered by the MPA. The MSI-AIS status may be granted for an initial period of ten years in the first instance, subject to a five yearly review and may be extended thereafter upon re-application for three further incentive periods of ten years each. Therefore, formal application for approval has to be made to the MPA for this scheme.



To qualify for the MSI-AIS status, a company would need to fulfill the following conditions:

- Be a tax resident in Singapore (management and control of its shipping operations based in Singapore).
- Be an established international shipowner and/or ship operator engaged in international shipping.
- Have substantial operations with a team possessing relevant professional shipping expertise in Singapore.
- Incur direct attributable business spending in Singapore of at least S\$30 million over five years i.e. average of S\$6 million per year (e.g. manpower costs, rental of office, utilities, repairs, financing costs, bunkers etc.).
- Ownership of ships is encouraged, although not a pre-requisite.
- Support and make significant use of Singapore's maritime ecosystem, including banking, financial, business, training, arbitration, and ancillary services.

3) MSI-ML (Ship) Scheme

The MSI-ML (Ship) scheme was introduced to encourage entities to base their capital and funding activities in Singapore to finance their ship leasing operations. Both operating and finance leasing of ships are covered under this scheme to allow flexibility in chartering and leasing options.

Under this scheme, tax exemption is granted to qualifying leasing income derived by ship leasing companies, funds and business trusts. In addition, a concessionary tax rate of 10% applies to qualifying management income derived by an approved manager of an MSI-ML (Ship) entity.

With effect from 19 February 2025, assets leased-in from third parties under a finance lease are also treated as qualifying assets for the purposes of this scheme.

To qualify for the MSI-ML (Ship) status, a company would need to fulfil the following conditions :

- a. Demonstrate that its ship financing and leasing operations will generate meaningful economic contributions to Singapore, through business spending, employment, and strategic decision-making activities anchored in Singapore.
- b. Have direct attributable business spending in Singapore of at least S\$28 million over five years (e.g. manpower costs, rental, utilities, repairs, and financing costs).
- c. Employ at least 3 professionals in Singapore.
- d. Operate as a Singapore-based entity with substantive management presence and decision-making capabilities located locally.

Application for this scheme has to be made on or before 31 December 2031. If approved, it is granted for 5 years.

4) MSI-ML (Container) Scheme

The MSI-ML (Container) scheme was introduced to encourage container financing and leasing operations to be based in Singapore.

The scheme aims to strengthen Singapore's position as a leading international maritime and container leasing hub by attracting players across the container value chain to anchor their operations locally.

The scheme provides for a reduced tax rate of 5% or 10% on qualifying container leasing income, depending on the level of economic contribution made to Singapore. Further, an entity may also qualify for a 10% concessionary tax rate on its qualifying management income.

With effect from 19 February 2025, assets leased- in from third parties under a finance lease are recognised as qualifying assets.

To qualify for the MSI-ML (Container) award, a company would need to fulfil the following conditions:



- a. Demonstrate that its container financing and leasing operations will generate meaningful economic contributions to Singapore, through business spending, employment, and strategic decision-making activities anchored in Singapore;
- b. Have a direct attributable business spending of at least S\$12 million (for concessionary tax rate 5%) / S\$8 million (for concessionary tax rate of 10%) over five years (e.g. manpower costs, rental, utilities, repairs, and financing costs);
- c. Employ at least 6 professionals (for concessionary rate 5%) / 3 professionals (for concessionary rate 10%) in Singapore; and
- d. Operate as a Singapore-based entity with substantive management presence and decision-making capabilities located locally.

Application for this scheme has to be made on or before 31 December 2031. If approved, it is granted for 5 years.

5) MSI-SSS Scheme

The MSI-SSS scheme was introduced to promote the growth of ancillary shipping service providers and to encourage shipping conglomerates to establish their corporate services functions in Singapore.

Approved MSI-SSS entities enjoy a concessionary corporate tax rate of 10% on incremental qualifying income derived from the provision of approved supporting shipping services for a period of 5 years. Application for this scheme may be made up to 31 December 2031.

Qualifying approved shipping-related support services cover:

- Ship broking;
- Forward freight agreement (“FFA”) trading;
- Ship management, including emission management (with effect from 19 February 2025);
- Ship agency;
- Freight forwarding and logistic services;
- Maritime technology services (with effect from 19 February 2025); and
- Corporate services rendered to qualifying related parties who are carrying on business of shipping-related activities.





To qualify for the MSI-SSS award, the applicant must have a good track record and demonstrable business plan for its shipping-related activities in Singapore.

It must commit to employ incremental 5 or more headcount in Singapore, incur incremental direct attributable business spending in Singapore of at least S\$6 million over five years, covering expenses such as manpower costs, rental, utilities, repairs, financial costs, and other business expenditures.

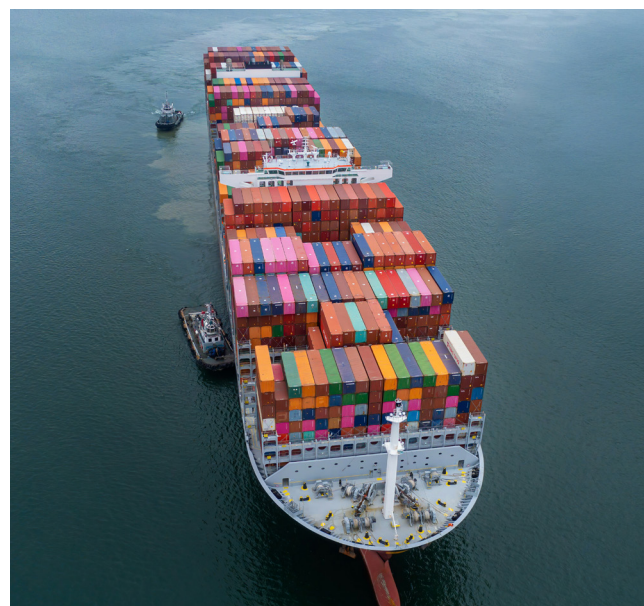
6) MSI - Related Concessions

In addition to the MSI awards, several related concessions provide tax relief on specific transactions and income streams, including foreign exchange and derivatives gains, in-house ship management fees, qualifying vessel loan interest, charter hire payments, and finance lease arrangements.

Over time, these concessions have expanded to cover environmental solutions, MSI-AIS sister and subsidiary companies, and non-MSI entities under the Approved Shipping Financing Arrangement (ASFA) award. The key concessions are outlined below.

- With effect from Year of Assessment (“YA”) 2009, foreign exchange and derivatives gains derived from operating 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 interest and other related payments made in respect of qualifying foreign loans or other financing agreements entered into 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 to MPA for each loan obtained via the One Maritime Portal.

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 loan or 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 a MSI-SRS ship or an MSI-AIS parent or MSI-AIS managing company that is approved under the MSI-AIS scheme and owns or operates a MSI-SRS or MSI-AIS ship, 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 under finance lease. 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.

7) Approved Shipping Financing Arrangement (“ASFA”)

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

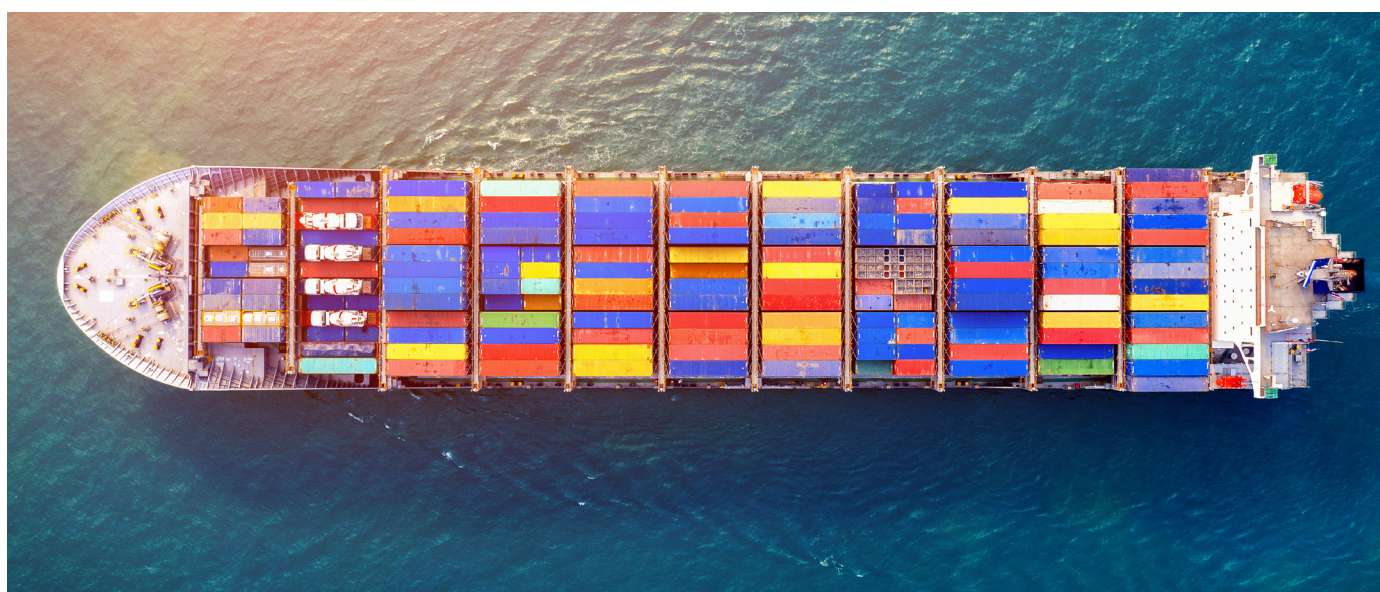
Approved entities are exempt from WHT on interest and related payments made to non-resident lessors under qualifying ship and container arrangements entered into on or before 31 December 2031. ASFA award recipients are also exempted from WHT on ship and container lease payments made to non-resident lessors (excluding payments to the non-resident lessor’s permanent establishment in Singapore) under Finance Lease arrangement.

Interested applicants can contact MPA for discussion on the requirements of ASFA (including local business spending commitments) and to assess their eligibility.

Summary of MSI Schemes

The table below summarises the key features, eligibility requirements, tax benefits and duration of the MSI awards across the five sub-schemes. It provides a clear, side-by-side comparison to help businesses evaluate which scheme best aligns with their operational model and long-term strategic objectives, considering factors such as purpose, tax incentives, and award duration.

The table also indicates which schemes offer companies the option to elect the **Net Tonnage Tax (“NTT”)** basis of taxation, which will be explained in detail in a later section.





MSI 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 the Singapore Registry of Ships ("SRS") Ship must be legally owned by a Singapore-incorporated company (can be 100% foreign-owned) with a minimum paid-up capital of S\$50,000 Ship must ply in international waters 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' for a 10-year period from the effective date.</p>	Exemption remains in force as long as the ship remains an SRS.
MSI-AIS Approved International Shipping	Yes	<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\$30 million 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>
MSI-ML (Ship) Maritime Leasing (Ship)	Yes	<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\$28 million over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) Employ at least 3 professionals in Singapore. 	<p>Tax exemption on qualifying leasing income, with assets leased-in from third parties under Finance Lease allowed as qualifying assets; 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% concessionary rate on qualifying management income derived by an approved manager of an MSI-ML (Ship) entity.</p>	<p>Up to 5 years (renewable)</p> <p>Application must be made on or before 31 December 2031.</p>



MSI 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\$12 million (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.) Employ at least 6 professionals (for concessionary rate 5%) / 3 professionals (for concessionary rate 10%) in Singapore. 	<p>5% or 10% concessionary rate on qualifying leasing income.</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 derived by an approved manager of an MSI-ML (Container) entity.</p>	<p>Up to 5 years (renewable)</p> <p>Application must be made on or before 31 December 2031.</p>
MSI-SSS Shipping-related Supporting Services	Yes	<ul style="list-style-type: none"> Applicant with a good track record and demonstrable business plan for its shipping-related activities in Singapore. Have an incremental direct attributable business spending in Singapore of S\$6 million over 5 years (e.g. manpower costs, rental, utilities, repairs, financial costs etc.) Incremental employment of at least 5 professionals in Singapore. 	<p>10% concessionary tax rate on incremental qualifying approved supporting shipping service income.</p>	<p>5-year renewable period.</p>



Overview of the Net Tonnage Tax basis

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

The existing Annual Tonnage Tax ("ATT") paid to MPA is an annual fee for registration of ships with SRS. A Shipping entity that owns ships 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 the IRAS.

Under the NTT basis, the electing entity will compute its tax base by reference to the net tonnage of its qualifying ships, 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\$0.30 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-AIS/MSI-ML(Ship) tenure. Re-election is allowed upon the renewal of the abovementioned MSI award by MPA. For an MSI-SRS company, the election is 'locked-in' for a 10-year period from the effective date.

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 under GloBE Rules 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 that have elected for the NTT basis 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 <the effective date>."
 - Other documents as required by IRAS (e.g. audited accounts)

CCS TAXATION SERVICES

As a business owner, every transaction you plan to make may have direct or indirect tax consequences.

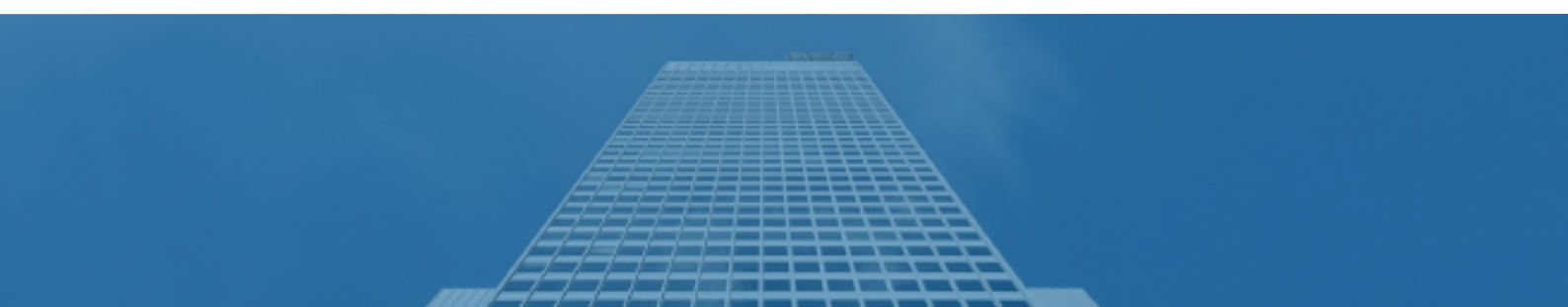
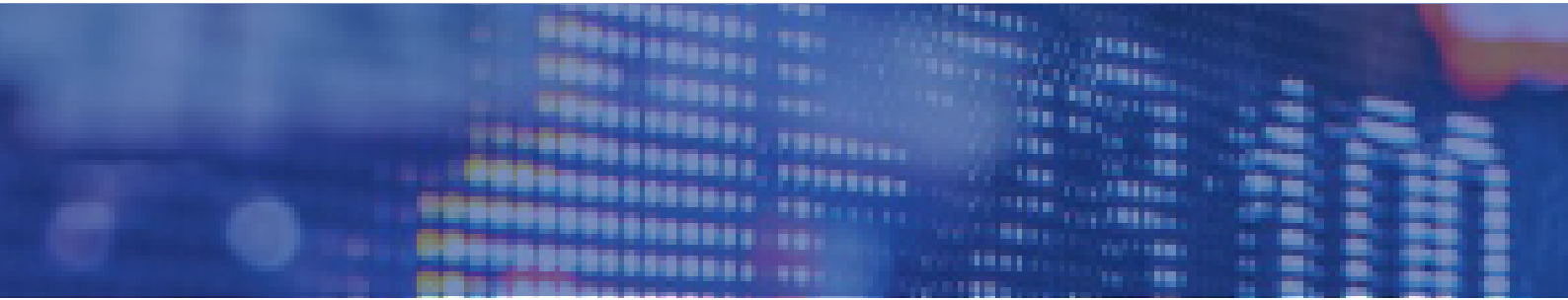
To achieve tax efficiency so as to enhance your return on investments, it is advisable that various tax issues be considered alongside the planning and structuring of your business.

The tax landscape is changing at a rapid pace and expert advice is essential to mitigate tax risk and maintain profitability. We can assist you through our comprehensive tax compliance, tax advisory and transfer pricing services to minimise your effective tax burden.



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