First published in the Government *Gazette*, Electronic Edition, on 15 September 2020 at 5 pm.

No. S 789

INCOME TAX ACT (CHAPTER 134)

INCOME TAX (FINANCE LEASE OF SHIP — SECTION 13(4) EXEMPTION) NOTIFICATION 2020

ARRANGEMENT OF PARAGRAPHS

Paragraph
1. Citation and commencement
2. Definitions
3. Exemption for payment under finance lease of Singapore ship
4. Exemption for payment under finance lease of foreign ship

In exercise of the powers conferred by section 13(4) of the Income Tax Act, the Minister for Finance makes the following Notification:

Citation and commencement

1. This Notification is the Income Tax (Finance Lease of Ship — Section 13(4) Exemption) Notification 2020 and is deemed to have come into operation on 12 December 2018.

Definitions

2. In this Notification —

"approved international shipping enterprise" means an approved international shipping enterprise mentioned in section 13F of the Act;

"approved shipping investment enterprise" —

(*a*) means an approved shipping investment enterprise mentioned in section 13S of the Act; and

(*b*) includes a partnership approved by the Minister (or a person appointed by the Minister) under section 13S of the Act as applied by section 36 of the Act;

"finance lease", in relation to a ship, means a lease of the ship (including any arrangement or agreement made in connection with the lease) that has the effect of transferring substantially the obsolescence, risks or rewards incidental to ownership of the ship to the lessee;

"foreign ship" means a sea-going ship other than a Singapore ship;

"international shipping enterprise" has the meaning given by section 13F(6) of the Act;

"provisionally registered ship" means a ship that is provisionally registered under the Merchant Shipping Act (Cap. 179), but excludes one whose registry is closed, deemed closed or suspended;

"shipping enterprise" means a company that owns or operates one or more Singapore ships;

"shipping investment enterprise" has the meaning given by section 13S(20) of the Act;

"Singapore ship" —

(*a*) means a ship in respect of which a certificate of registry has been issued under the Merchant Shipping Act and whose registry is not closed or deemed to be closed or suspended; and

(*b*) includes a provisionally registered ship.

Exemption for payment under finance lease of Singapore ship

3.—(1) Subject to this paragraph, any payment that a shipping enterprise is liable to make on or after 12 December 2018 to a person resident outside Singapore (called in this Notification a non-resident person) under a finance lease of any Singapore ship that is entered into on or before 31 December 2028, is exempt from tax.

[S 157/2022 wef 04/03/2022]

(2) Sub-paragraph (1) does not apply to —

(*a*) any payment liable to be made under the finance lease that is derived from any operation carried on by the

non-resident person through the person's permanent establishment in Singapore; or

(*b*) any payment liable to be made under the finance lease on or after the date on which the Singapore ship ceases to be a Singapore ship.

(3) Where the finance lease mentioned in sub-paragraph (1) is in relation to a provisionally registered ship, and the shipping enterprise liable to make payment under the finance lease is not an approved international shipping enterprise or approved shipping investment enterprise, the exemption is subject to the condition that the ship subsequently obtains a certificate of registry under the Merchant Shipping Act.

Exemption for payment under finance lease of foreign ship

4.—(1) Subject to this paragraph, any payment that an approved international shipping enterprise or approved shipping investment enterprise is liable to make on or after 12 December 2018 to a non-resident person under a finance lease of any foreign ship that is entered into on or before 31 December 2028, is exempt from tax.

[S 157/2022 wef 04/03/2022]

(2) Sub-paragraph (1) does not apply to —

(*a*) any payment liable to be made under the finance lease that is derived from any operation carried on by the non-resident person through the person's permanent establishment in Singapore; or

(*b*) any payment liable to be made on or after the date that the approval of the approved international shipping enterprise or approved shipping investment enterprise is revoked or withdrawn.

(3) Sub-paragraph (1) continues to apply to an international shipping enterprise or a shipping investment enterprise the approval of which has expired, but that remains liable to make any payment under the finance lease on or after the date of expiry of the approval.

(4) For the purposes of sub-paragraph (3), a reference in sub-paragraphs (1) and (2) to an approved international shipping enterprise or approved shipping investment enterprise is to an international shipping enterprise or a shipping investment enterprise, as the case may be.

Made on 14 September 2020.

TAN CHING YEE
Permanent Secretary,
Ministry of Finance,
Singapore.

[R032.012.2340.V1; AG/LEGIS/SL/134/2020/12 Vol. 1]