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No. S 161

INCOME TAX ACT (CHAPTER 134)

INCOME TAX (EXEMPTION OF INTEREST AND OTHER PAYMENTS ON ECONOMIC AND TECHNOLOGICAL DEVELOPMENT LOANS) (NO. 3) NOTIFICATION 2014

ARRANGEMENT OF PARAGRAPHS

Paragraph

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

Citation and commencement

1. This Notification may be cited as the Income Tax (Exemption of Interest and Other Payments on Economic and Technological Development Loans) (No. 3) Notification 2014 and shall be deemed to have come into operation on 1st June 2011.

Definitions

2.—(1) In this Notification —

“approved international shipping enterprise” has the same meaning as in section 13E of the Act;

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“approved shipping investment enterprise” has the same meaning as in section 13P of the Act, and includes an

approved partnership referred to in regulation 6 of the Income Tax (Tax Incentives for Partnerships) Regulations 2012 (G.N. No. S 685/2012);

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“foreign ship” means a ship that is not registered or provisionally registered or, in the case of a ship under construction, not intended to be registered, under the Merchant Shipping Act 1995;

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“loan”, in relation to a shipping enterprise, means a loan or other arrangement similar in nature to a loan, that is entered into on or before 31st May 2016 for any purpose referred to in paragraph 3(1) or (2);

“qualifying payment”, in relation to a loan, means any of the following payments made in connection with the loan:

- (a) interest;
- (b) front-end fees;
- (c) commitment fees;
- (d) interest rate swap payments;
- (e) currency swap payments;
- (f) arranger fees;
- (g) arrangement fees;
- (h) retainer fees;
- (i) agency fees;
- (j) security trustee fees;

“shipping enterprise” means a company that owns or operates, or both owns and operates, one or more ships, and includes an approved international shipping enterprise and an approved shipping investment enterprise;

“special purpose vehicle” means a company whose only business is or is to be the owning or operating, or both the owning and operating, of any ship;

“specified date” —

- (a) in relation to a qualifying payment referred to in paragraph 3(1) that a shipping enterprise is liable to make, means the later of 1st June 2011 and —
 - (i) in a case where the declaration referred to in paragraph 3(4) is made on or before the 15th day of the month immediately following the date on which the qualifying payment is liable to be made, the date on which the qualifying payment is liable to be made; and
 - (ii) in any other case, the date on which the declaration referred to in paragraph 3(4) is made; and
- (b) in relation to a qualifying payment referred to in paragraph 3(2) that an approved international shipping enterprise or an approved shipping investment enterprise is liable to make, means the latest of 1st June 2011, the date on which the enterprise is approved as such, and —
 - (i) in a case where the declaration referred to in paragraph 3(4) is made on or before the 15th day of the month immediately following the date on which the qualifying payment is liable to be made, the date on which the qualifying payment is liable to be made; and
 - (ii) in any other case, the date on which the declaration referred to in paragraph 3(4) is made.

(2) In this Notification, a reference to a qualifying cost that is financed by a loan obtained by a shipping enterprise referred to in paragraph 3(1) or (2) (referred to in this sub-paragraph as the subject loan) is a reference to any of the following incurred by the shipping enterprise:

- (a) any of the following types of payments incurred to bring a ship under construction to a seaworthy state:

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- (i) classification fees;
 - (ii) certification fees;
 - (iii) marine insurance costs;
 - (iv) supervision fees;
 - (v) testing or commissioning fees;
- (b) insurance premiums payable to export credit agencies to guarantee the subject loan, if the subject loan is taken by the shipping enterprise for a purpose of the shipping enterprise as is referred to in paragraph 3(1)(a) or (c) or (2)(a) or (c) (as the case may be);
- (c) qualifying payments due on a previous loan taken by the shipping enterprise for a purpose of the shipping enterprise as is referred to in paragraph 3(1)(a), (b) or (c) or (2)(a), (b) or (c) (as the case may be), which are not paid at the time the subject loan is obtained and are to be refinanced by the subject loan;
- (d) costs incurred to purchase and install vessel navigation and safety equipment on board a ship.

(3) For the purposes of this Notification, a ship shall not be regarded as registered or provisionally registered under the Merchant Shipping Act 1995 if its registry under that Act is closed or deemed to be closed or is suspended.

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Exemption

3.—(1) Subject to the conditions imposed by the Minister pursuant to section 13(4) of the Act, there shall be exempt from tax any qualifying payment that a shipping enterprise is liable to pay on or after the specified date to a person that is neither a resident nor a permanent establishment in Singapore in respect of a loan (including any portion of such loan used to finance any qualifying cost) for any of the following:

- (a) the acquisition by the enterprise of any ship —
 - (i) registered or provisionally registered under the Merchant Shipping Act 1995; or
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 - (ii) where the ship is under construction, to be registered or provisionally registered under the Merchant Shipping Act 1995 before or upon completion of its construction;
[S 844/2025 wef 31/12/2021]
- (b) the acquisition by the enterprise of all the shares of a special purpose vehicle that —
 - (i) has sole legal and beneficial ownership of any ship —
 - (A) registered or provisionally registered under the Merchant Shipping Act 1995; or
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 - (B) where the ship is under construction, to be registered or provisionally registered under the Merchant Shipping Act 1995 before or upon completion of its construction; and
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 - (ii) does not own any foreign ship;
- (c) the costs incurred for lengthening or conversion works carried out on any ship which is —
 - (i) owned by the enterprise; and
 - (ii) registered or provisionally registered under the Merchant Shipping Act 1995.
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(2) Without prejudice to sub-paragraph (1) and subject to the conditions imposed by the Minister pursuant to section 13(4) of the Act, there shall be exempt from tax any qualifying payment that an approved international shipping enterprise or an approved shipping investment enterprise is liable to pay on or after the specified date to a person that is neither a resident nor a permanent establishment in Singapore in respect of a loan (including any portion of such loan

used to finance any qualifying cost, whether such loan was obtained before or during the period it is approved as an approved international shipping enterprise or an approved shipping investment enterprise) for any of the following:

- (a) the acquisition by the enterprise of any foreign ship;
- (b) the acquisition by the enterprise of all the shares of a special purpose vehicle that has sole legal and beneficial ownership of any foreign ship;
- (c) the costs incurred for lengthening or conversion works carried out on any foreign ship which is owned by the enterprise.

(2A) For the purposes of sub-paragraphs (1)(b) and (2)(b), any treasury share in a special purpose vehicle is to be disregarded when determining whether a shipping enterprise, approved international shipping enterprise or approved shipping investment enterprise (as the case may be) acquires all the shares of the special purpose vehicle.

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(3) Nothing in sub-paragraph (1) or (2) shall apply in relation to any loan obtained by a shipping enterprise before 1st June 2011 which is already the subject of any other exemption granted to the enterprise under the Act.

(4) Sub-paragraphs (1) and (2) only apply if the shipping enterprise has made a declaration to the Maritime and Port Authority of Singapore established under section 4 of the Maritime and Port Authority of Singapore Act 1996, in the form specified by the Authority, that the requirements of sub-paragraph (1) or (2), as the case may be, and the conditions imposed by the Minister referred to in that sub-paragraph are, or (in the case of any condition subsequent) will be, satisfied.

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(5) Where the loan referred to in sub-paragraph (1)(a) or (b) is obtained in relation to any ship to be registered or provisionally registered under the Merchant Shipping Act 1995 before or upon the completion of its construction, then the conditions imposed by the Minister referred to in sub-paragraph (1) shall include the condition

that the ship be so registered or provisionally registered for at least one year from the date of delivery of the ship.

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(6) The exemption under sub-paragraph (1) does not apply to any qualifying payment liable to be made —

- (a) after the day that the shipping enterprise or special purpose vehicle (as the case may be) disposes of the ship;
- (b) on or after the day that the ship owned by the shipping enterprise or special purpose vehicle (as the case may be) ceases to be registered under the Merchant Shipping Act 1995;

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- (c) on or after the day that the shipping enterprise fails to satisfy any condition mentioned in sub-paragraph (1); or
- (d) after the day that the shipping enterprise disposes of any of the shares in the special purpose vehicle.

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(7) The exemption under sub-paragraph (2) does not apply to any qualifying payment liable to be made —

- (a) after the day that the shipping enterprise or special purpose vehicle (as the case may be) disposes of the ship;
- (b) on or after the day that the approval of the shipping enterprise as an approved international shipping enterprise or approved shipping investment enterprise (as the case may be) is revoked or withdrawn;
- (c) on or after the day that the shipping enterprise fails to satisfy any condition mentioned in sub-paragraph (2); or
- (d) after the day that the shipping enterprise disposes of any of the shares in the special purpose vehicle.

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(8) Subject to sub-paragraph (7)(a), (c) and (d), the exemption referred to in sub-paragraph (2) shall continue to apply to the qualifying payments made in relation to a loan obtained by an approved international shipping enterprise or an approved shipping investment enterprise referred to in sub-paragraph (2), even after the

expiry of the approval of the shipping enterprise as such (other than by way of revocation or withdrawal), and any reference in this paragraph to an approved international shipping enterprise or an approved shipping investment enterprise shall be construed accordingly.

Non-application of exemption to qualifying payments on or after 24 February 2015

4. The exemption in paragraph 3 does not apply to any qualifying payment liable to be made on or after 24 February 2015.

[S 844/2025 wef 24/02/2015]

Made this 26th day of February 2014.

LIM SOO HOON
*Permanent Secretary
(Finance) (Performance),
Ministry of Finance,
Singapore.*

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