

E216 Distribution and Transportation

P09 **Duty Unpaid**



SCHOOL OF **ENGINEERING E216** Distribution &Transportation









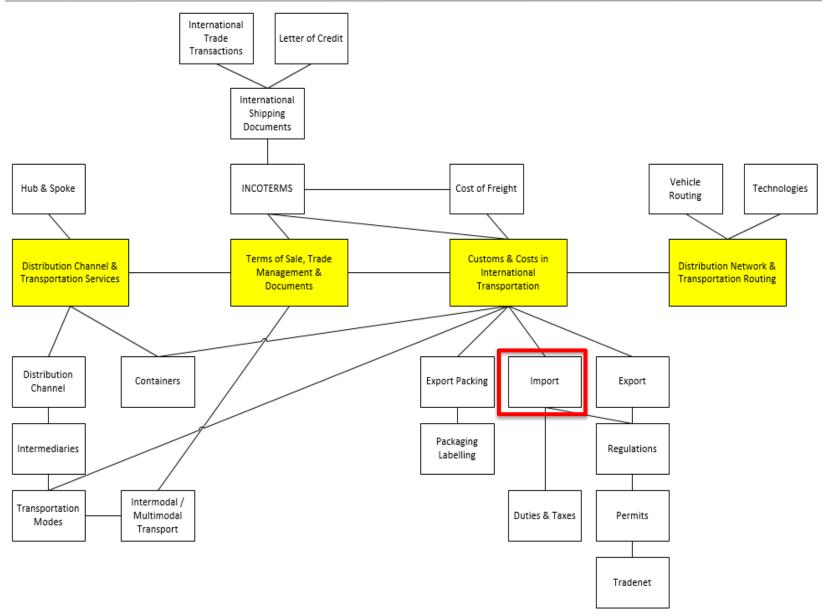






E216 Distribution & transportation - Topic Tree





Import Requirements



- Imports of all goods into Singapore must be covered by an appropriate permit (via TradeNet®), including controlled and noncontrolled items
 - Unless the imported goods are for storage in a licensed warehouse or Free Trade Zone (FTZ), or imported under the Zero GST Warehouse Scheme (ZGS), or under the Major Exporter Scheme (MES), therefore suspending the GST and/or duty at importation stage; otherwise GST and/or duty must be paid at time of importation

Goods and Services Tax (GST)



- When goods are imported into Singapore and when goods and services made in Singapore are supplied, Goods and Services Tax (GST) must be paid
- GST is applied on an ad valorem basis on all goods (dutiable and non-dutiable)
- The GST taxable is calculated based on the CIF (Costs, Insurance and Freight) value plus all duties and other chargeable costs, whether or not shown on the invoice

Reference: Singapore Customs Website

Goods and Services Tax (GST)



- Upon exporting the goods, GST can be claimed back for the taxes that was paid during the import
- Current GST rate stands at 7%
- To help businesses ease their cash flow, a few schemes have been introduced:
 - Major Exporter Scheme (MES)
 - Licensed Warehouse Scheme
 - Zero GST Warehouse Scheme (ZGS)



Free Trade Zone (FTZ)



- Free Trade Zones (FTZs) are essentially designated areas in Singapore where the payment of duties and taxes are suspended when the goods arrived in Singapore
- No duty or taxes are payable on goods that are stored in FTZs.
 You only need to pay duty and taxes when the goods leave the FTZ and enter into customs territory for local consumption
- Locations of FTZ in Singapore include:

- Brani Terminal; - Tanjong Pagar Terminal and Keppel Terminal;

- Jurong Port;- Keppel District Park;

Sembawang Wharves;
 Pasir Panjang Wharves,

Changi Airport Group;
 Changi Airport Cargo Terminal Complex;

- Singapore FreePort located in the Airport Logistics Park. (ALPS)

(**Note:** Goods that arrive by **rail and road** are not deposited into FTZs and are subject to duties and taxes the moment they arrive.)

Reference: Singapore Customs Website

Free Trade Zone (FTZ)



- Transshipping is when goods are moved from country to country without being imported into the country
- Goods that are transshipped through Singapore are not subject to the duties and taxes that would normally be imposed on imports
- Application for a Transshipment Permit through TradeNet® is required when you are:
 - Transshipping goods from one Free Trade Zone (FTZ) to another FTZ
 - Transshipping controlled goods within a FTZ. For instance, when goods are moved from the ship in the FTZ to a storage facility within the FTZ.
 - ➤ If you are transshipping controlled goods within a FTZ, your Transshipment Permit must also be approved by the Competent Authorities (CAs)
 - Transshipping strategic goods.
 - ➢ If you are transshipping Strategic Goods, you must obtain a Strategic Goods Control (SGC)TradeNet® Permit before the goods leave Singapore

Reference: Singapore Customs Website

Major Exporter Scheme (MES)



- MES is a scheme whereby the payment of GST is suspended at the point of importation of goods. MES traders will be allowed to import nondutiable goods without paying GST to Singapore Customs (SC)
- MES traders will charge and account GST when they supply the goods locally. Thus, traders who export their goods subsequently will not face cash flow problems on their imports
- To qualify for MES, at least 51% of the goods sold must be for export

Dutiable Goods



- There are 4 broad categories of dutiable goods in Singapore, namely:
 - Intoxicating liquor, including spirits, wine, beer, ale and stout



- Tobacco, including cigarette and cigars
- Motor spirit (petroleum)
- Motor cars and motorcycles/ scooters



Licensed Warehouse Scheme



- A Licensed Warehouse is designated area approved and licensed by the Singapore Customs for storing dutiable goods, namely:
 - Liquor
 - Tobacco
 - Motor vehicles
 - Petroleum
- Duty and GST payable is suspended for storing these goods
- The licensed area is demarcated with lines, separating it from other areas. The non-designated area of the same warehouse premises may be used for other purposes
- It may be operated by the owner of the goods or service operator who is responsible for the security and proper control of the warehoused goods

Reference: Singapore Customs Website

Tariff and Duty Rates



 Customs duty: A kind of indirect tax which is realized on goods of international trade. A kind of consumption tax. Duties levied by the government in relation to imported items is referred to as import duty

Ad valorem rate

✓ Duty is calculated as a percentage of the assessed value of the dutiable goods (E.g. Motor cars in Singapore)

Specific rate

 Duty is based on a specified amount per unit of weight, volume, or quantity of the dutiable goods

(e.g. Tobacco products in Singapore)

Composite/ compound rate

- ✓ Based on either a percentage or a specified amount and shall be the greater of the amounts calculated on such rates;
- ✓ Or a percentage and a specified amount and shall be the aggregate of such percentage and amount

Zero GST Warehouse Scheme (ZGS)



- ZGS is conceptually an extension of the FTZ into the premises of business
- When goods are removed from FTZ or imported via the land checkpoints, and moved into a ZGS, GST on the goods is suspended
- This scheme was introduced in 1 Jan 2006, to strengthen Singapore's status as a logistics and distribution hub in the region
 - It helps importers, exporters and distributors to reduce business costs

Zero GST Warehouse Scheme (ZGS)



- They cannot be used for storage of dutiable intoxicating liquors, petroleum products, tobacco products and motor vehicles
- ZG Warehouses can also be used to store approved non-dutiable commodities such as coffee, pepper, rubber, base metal and crude oil

ZGS License Types



There are <u>3 types</u> of ZGS warehouse to cater to different companies, namely:

Warehouse Type I License

 Operated by importers and service warehouse operators who store imported goods, with at least 80% meant for re-export

Warehouse Type II License

 Operated by importers and service warehouse operators who store imported goods, for regional/ international and/or local distribution

Warehouse Type III License

 Operated by importers and service warehouse operators who store imported goods at different locations, for regional/ international and/or local distribution



Generally, as an approved licensee, you enjoy the following benefits:

- The ZG warehouse may be located anywhere in Singapore;
- GST is suspended on all goods within the ZG warehouse, even if there are supplies while the goods are within the ZG warehouse; and
- You can keep the goods in the ZG warehouse for an indefinite period of time

Industrial Exemption Factory Scheme



- Tax breaks for manufacturers who use dutiable raw materials for manufacturing
 - Local industries which use dutiable raw materials to manufacture non-dutiable products and 100% of these products are to be exported
 - An example of a business that may qualify is a cosmetics company that uses alcohol (dutiable raw material) in manufacturing fragrances

Import Control List



The import of some goods are subject to the control
of some controlling agencies, which requires
application of approvals or licenses prior to getting
the import permit

Examples:

Item	Controlling Authority
Animals, Seafood	Agri-food and Veterinary Authority (AVA)
Films & video	The Infocomms Media Development Authority of Singapore (IMDA)
Toy guns & weapons	Singapore Police Force (SPF)
Pharmaceuticals	Health Sciences Authority (HSA)
Toy walkie-talkies	The Infocomms Media Development Authority of Singapore (IMDA)

Prohibited Goods



The following items are **NOT** allowed to be imported into Singapore:

- Chewing gum (except dental or nicotine gum)
- Chewing tobacco and imitation tobacco products
- Cigarette lighters of pistol or revolver shape
- Controlled drugs and psychotropic substances
- Endangered species of wildlife and their by-products
- Firecrackers
- Obscene articles, publications, video tapes/discs and software
- Reproduction of copyright publications, video tapes,
 video compact discs, laser discs, records or cassettes
- Seditious and treasonable materials



Sample Calculation of Duty Rates & Selling Price for Wine



Imagine that you own a trading business and would like to import sparkling wine into Singapore. Calculate how much you would need to sell the items for 20% profit.

Sparking wine consists of 10% alcoholic content (CIF Value \$6,000, Quantity = 300 bottles, and each bottle is 1 liter)

How much will you sell your wine?

Sample Calculation of Duty Rates & Selling Price for Wine

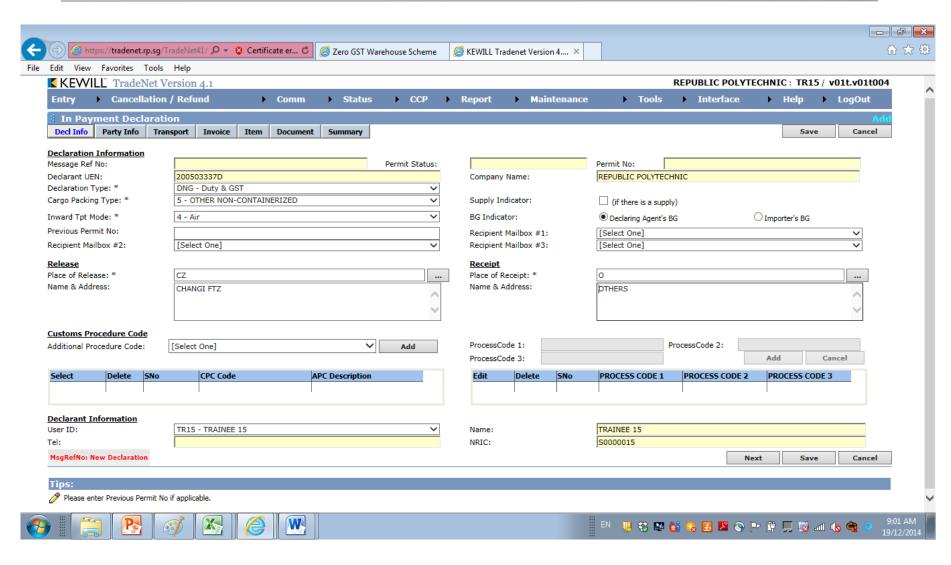


HS Code: 22041000 – Sparkling wine (10% alcoholic strength)

- Excise duty: \$88 per liter of alcohol, hence for each consignment
 Total duty = 300 bottles x 1 litres x \$88/litre x 10% = \$2,640.00
- GST payable = [CIF value + Duty] x 7% per consignment = [\$6,000 + \$2,640] x 7% = \$604.80
- Cost of duties + GST = \$2,640 + \$604.80 = \$3,244.80
- Total cost of = \$6,000 + \$3,244.80 consignment = \$9,244.80
- Thus, add 20% profit = \$9,244.80 + 20% of Cost on top of cost price = \$11,093.76
- Selling Price per bottle = \$11,093.76 / 300 = \$36.98









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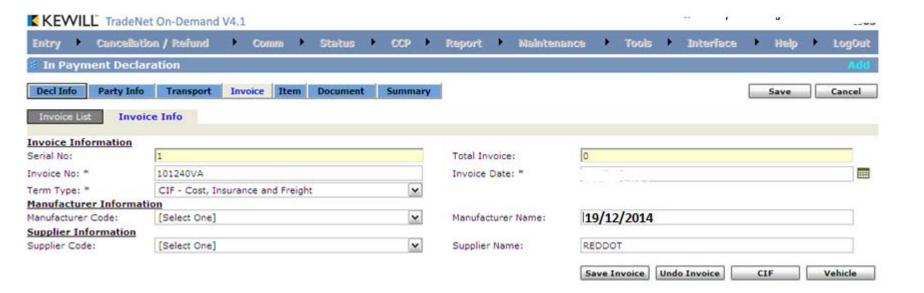




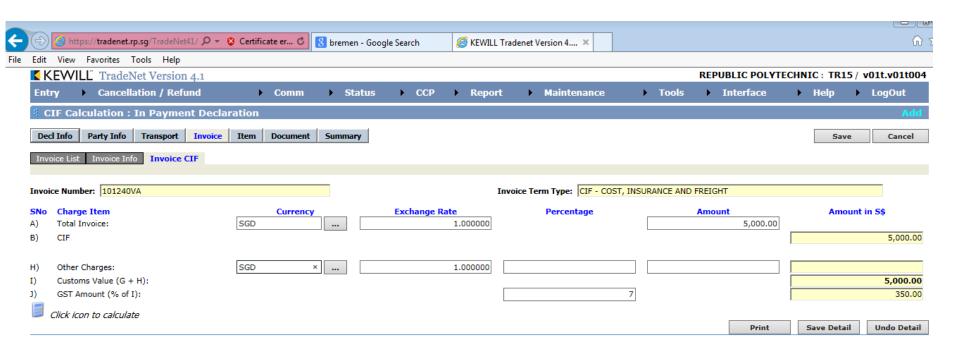




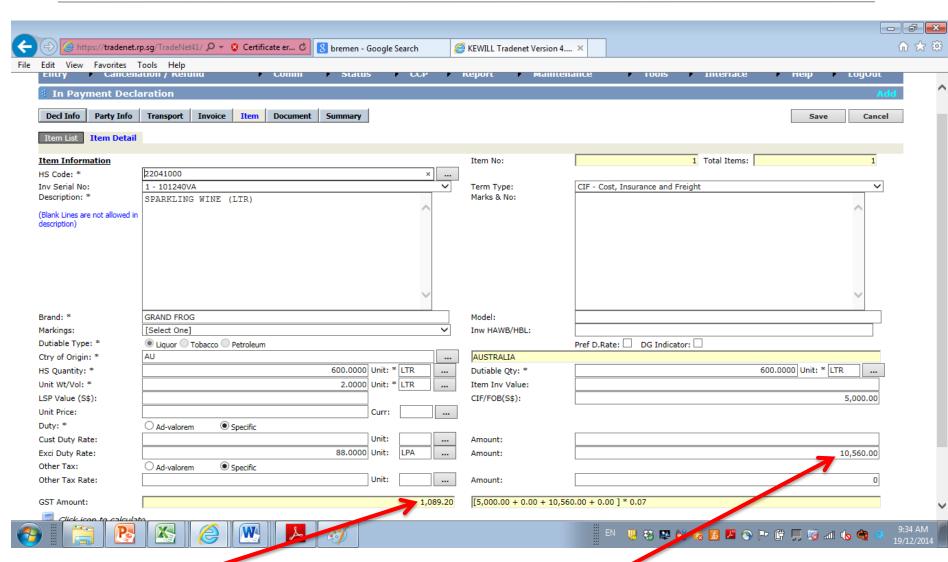




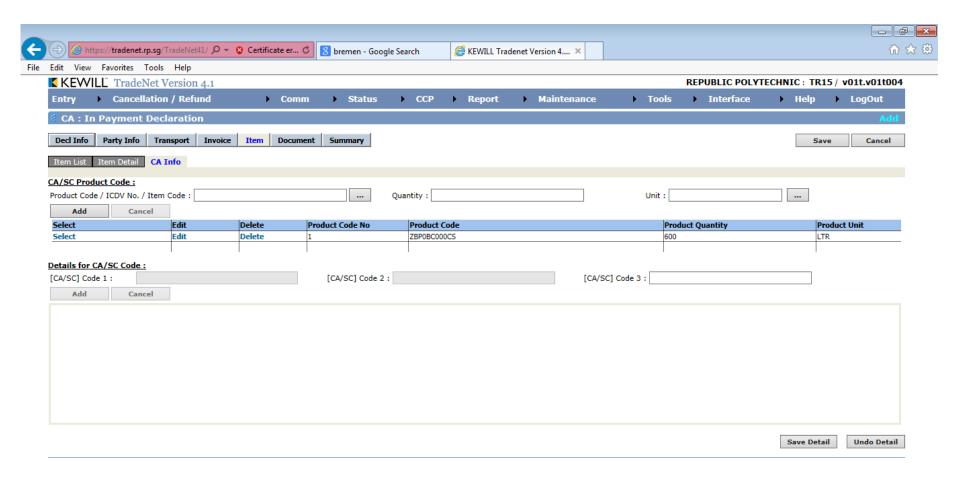






























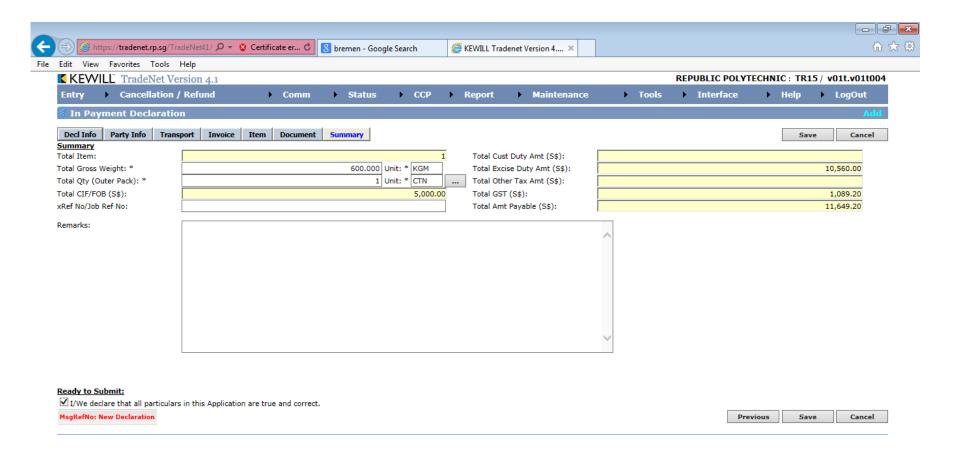






























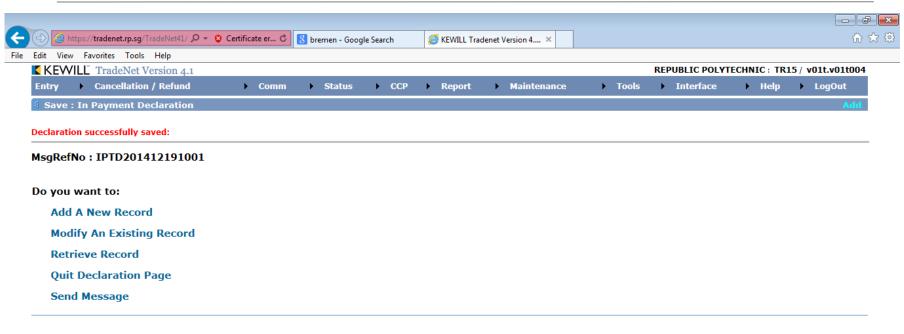




































Learning Objectives



- Explain basic import requirements
- Give examples of types of import schemes
- Describe duties and tariffs
- Explain controlled and prohibited goods
- Perform TradeNet® to raise import permit

