

IRAS e-Tax Guide

APPROVED MARINE FUEL TRADER
(AMFT) SCHEME



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1 Aim

- 1.1 This e-Tax guide replaces IRAS' e-Tax guide on "Approved Marine Fuel Trader (AMFT) Scheme" published on 30 Oct 2007.
- 1.2 This guide explains the mechanism, qualifying criteria and application procedure of the AMFT Scheme.
- 1.3 The AMFT Scheme is relevant to you if you trade substantially in bunker fuel and hold a valid bunkering licence issued by Maritime Port Authority of Singapore (MPA).

2 At a glance

- 2.1 GST is chargeable on local supplies of marine fuel oil. The AMFT Scheme is designed to relieve approved persons from the payment of GST on local purchases of specified marine fuel oil from GST registered suppliers.
- 2.2 To qualify for the scheme, you must be a GST-registered person and must meet all the qualifying criteria which include holding a valid bunkering licence and trading substantially in bunker fuel. More details of the qualifying criteria can be found in Section 6.1 of this guide. Upon approval, the approved person must discharge all the responsibilities as detailed in Section 8 of this guide.
- 2.3 The AMFT status is generally granted for 3 years from the date of approval. A shorter period may be granted at the discretion of the Comptroller.

3 Glossary

3.1 Marine Fuel Oil (MFO)

This refers to marine fuel oil used by ocean going vessels for their engines e.g. MFO 380cst but excludes marine diesel oil (MDO) and marine gas oil (MGO).

Based on the Singapore Standard for bunkering i.e. Code of Practice for bunkering by bunker tankers CP 60, the quality of MFO should conform to or be better than the standards set by the International Organisation for Standardisation (ISO) for "Petroleum Products – Fuels (Class F) – Specifications of marine fuels" [ISO8217].

In the event of a dispute on the definition of MFO, the Comptroller may rely on MPA and/or qualified third party surveyors to distinguish the type of marine fuel (e.g. between MFO and other non-MFO) as governed by the standards set by MPA.

3.2 Approved person

This refers to a business approved as an approved marine fuel trader under the AMFT scheme.

3.3 GST group registration

Group registration is a facility that allows companies within a group to report GST as a group and submitting one GST return instead of reporting their GST individually. Under group registration, one of the companies will be nominated by the group as the representative member to file the GST return. Group registration will be in the name of the representative member.

3.4 Major Exporter Scheme (MES)

MES is a GST scheme designed to ease the cash flow of businesses that have substantial exports through the suspension of the payment of GST on the importation of goods.

3.5 Qualifying business

This refers to a business in the bunkering industry and the business holds a valid bunkering licence issued by MPA.

3.6 Section 33(1) agent

An overseas entity that is not a resident in Singapore and/or does not have an established place of business in Singapore may register for GST in Singapore. As a requirement, the overseas entity must appoint a local agent in Singapore (known as a section 33(1) agent) who will act on the entity's behalf for its GST matters. This agent is responsible for the accounting and payment of GST.

4 Background

4.1 The AMFT Scheme was introduced to help GST registered bunker suppliers ease their cash flow by waiving the GST payable on the local purchase of MFO for bunkering purposes. This scheme applies to qualifying businesses from 1 Jan 2005.

4.2 Under the Scheme, GST need not be paid on the sale of MFO to approved persons. This alleviates the cash flow difficulties of the approved persons by eliminating the need to pay GST upfront and to subsequently claim it back by obtaining a refund from IRAS.

4.3 However, the import of MFO will still attract GST unless the importer is an approved business under MES.

5 How the AMFT Scheme works

- 5.1 An approved person may purchase MFO without having to pay any GST to the supplier. Only MFO can be purchased without the payment of GST by approved persons. MDO and MGO are excluded from the AMFT scheme.
- 5.2 The buyer, as an approved person, is required to keep his suppliers informed of his approved status under the scheme. He has to ensure that his suppliers provide the relevant tax invoices not showing any GST amount and contain the required annotation: "*Payment of GST is not required under the AMFT Scheme*", per Section 8.2(a) of this guide.
- 5.3 Appendix 1 illustrates the GST treatment where a local supply of MFO is made to an approved person compared with one that is made to a non-approved person.
- 5.4 A list of approved persons under the AMFT Scheme can be found in IRAS' website at <http://www.iras.gov.sg>.

6 Qualifying Criteria

- 6.1 To qualify for the AMFT Scheme, the applicant must satisfy **ALL** the following requirements:

- (a) The business is incorporated or registered in Singapore;
- (b) The primary activity of the business is supplying bunker fuel for use on board ocean-going ships and at the time of application, it holds a valid MPA bunkering licence with at least 3 months validity period;

[As a general guide, the Comptroller considers a business as being primarily engaged in supplying bunker fuel if its revenue from the sale of bunker fuel is at least 50% of its total sales within a 12-month period¹.

For companies engaged in trading of bunker fuel for less than 12 months, the application may only be considered if the business has commenced trading in bunker fuel.]

- (c) The business must be a GST- registered person, and have good compliance records in terms of tax compliance and payment;
- (d) The business must have good internal controls and maintain high standards of accounting and record- keeping. It must also comply

¹ Please refer to Appendix 3 for an illustration.

with all the requirements of the scheme that are set out by the Comptroller²; and

- (e) The business must assume full responsibility and accountability of GST should it fail to meet any of the conditions as required under the scheme after it is approved to operate under the scheme.

The Comptroller may exercise his discretion to vary the requirements or impose additional requirements.

Apart from the above conditions, the Comptroller may impose a security (in the form of a letter of guarantee). Please refer to Appendix 4 for more details.

7 Application Procedure

7.1 A business that can meet all the qualifying criteria stated in the above paragraph may apply for the scheme.

7.2 To apply, the applicant must submit the following information and documents together with the completed form GST F16 (Application for Approved Marine Fuel Trader Scheme)³:

- (i) A concise description of the nature of business, specifying the main products that the applicant is supplying and its major suppliers and buyers of MFO;
- (ii) A copy of its bunkering licence issued by MPA;
- (iii) A copy of the latest set of audited financial statements;

[If the latest financial statements are not yet audited, please give the most recent audited financial statements together with a letter from your external auditor indicating the expected date of audit completion. If the audit completion is expected to be delayed, the letter should also include the reason(s) for the delay in completing the audit.]

- (iv) For newly incorporated businesses or businesses engaged in bunker trading for less than 12 months, the application should include a 12 months projection of the value of purchases of MFO, value of bunker sales (including MFO, MDO, MGO) and total revenue from the date of commencement of business. The basis of projection should be explained and supported by the relevant contracts/agreements.

² Please refer to Section 8 of this guide.

³ This form can be downloaded from IRAS' website at www.iras.gov.sg

- 7.3 All applicants will be notified on the outcome of their applications within one month from the date when complete information have been received by the Comptroller.

8 Responsibilities of an Approved Person

- 8.1 The approved person must:

- Provide the MFO suppliers with a copy of the approval letter stating the validity period of his AMFT status (to support his purchase of MFO without the payment of GST);
- Maintain separate records for the purchases and sales of MFO;
- Be able to extract the purchase and sales records of MFO upon any request made by the Comptroller.
- Comply with all the accounting and record-keeping requirements that the Comptroller may determine from time to time (refer Appendix 2);
- Notify all of his MFO suppliers immediately when he is aware that his AMFT Scheme status is to be revoked or not renewed; and
- Notify the Comptroller immediately when he is aware that his bunkering licence is to be revoked or not renewed.

- 8.2 The approved person is also required to-

- (a) maintain tax invoices issued by the supplier(s) of MFO. The tax invoices should not show any GST amount and contain the following annotation: "*Payment of GST is not required under the AMFT Scheme*";
- (b) maintain copies of delivery orders from the supplier(s) of MFO duly acknowledged upon delivery;
- (c) maintain other documentary evidence (such as payment evidence, certification from marine surveyor; where applicable) to support the MFO purchase transactions; and
- (d) record the value of MFO purchases as taxable purchases (Box 5), without the corresponding input tax claimable (Box 7) in his GST return as payment of GST is not required under the scheme.

9 Non-compliance under the scheme

9.1 The following constitutes non-compliance under the AMFT scheme:

- (i) Where an approved person ceases to be qualified under the AMFT scheme (e.g. his bunkering licence is revoked) and yet continues to remain in the scheme without notifying the Comptroller; or
- (ii) Where an approved person fails to comply with any of the conditions imposed by the Comptroller under the scheme.

9.2 In such instances, the approved person (the buyer in the transaction) has to repay the tax that the supplier (due to the buyer's non-compliance under the scheme) did not previously charge⁴. The buyer has to declare such tax as if it is his output tax (Box 6) in his GST return, where applicable. The Comptroller will not allow any corresponding input tax claim on this tax amount as this payment is due solely to the buyer's non-compliance under the scheme.

10 Frequently Asked Questions

10.1 How long must records be kept?

Under the Income Tax Act and the GST Act, you are required to keep your business records for a period of at least 5 years, for records pertaining to accounting periods ending on or after 1 January 2007. Business records for accounting periods ending before 1 January 2007 must be kept for at least 7 years.

These records can be kept in other forms (e.g. electronic media) instead of paper form. No prior approval is required from the Comptroller of GST if you wish to keep your records in non-paper form. However, you must comply with the guidelines set in the e-Tax guides 'Keeping of records in Imaging Systems' and 'Keeping machine-sensible Records and Electronic Invoicing'. These guides can be downloaded from IRAS' website at www.iras.gov.sg

⁴ This does not extend to instances where it is due to supplier's omission to charge the tax and there is no reasonable basis to determine that the supplier's omission is the result of non-compliance on the part of the MFT business.

10.2 How should a supplier of MFO (i.e. regardless of whether the supplier is an approved person under the scheme) declare the value of his sale to an approved person under the scheme in his GST return?

The supplier of MFO should report the value of the sales of MFO as standard-rated supplies (Box 1) without the corresponding output tax⁵ (Box 6) in his GST return. The value reported should be based on the tax invoice issued by the MFO supplier.

10.3 How should an approved person under the scheme declare the value of purchases from a MFO supplier in his GST return?

For the purchase of MFO from a MFO supplier, he should report the value of MFO purchased as his taxable purchases (Box 5) without the corresponding input tax⁶ (Box 7) in his GST return. The value reported should be based on the tax invoice issued by the MFO supplier.

10.4 What is the validity period for the AMFT Scheme?

Approval is usually valid for a period of 3 years from the date of approval. However, the Comptroller may, at his discretion, grant approval for a shorter specified period if he thinks fit.

If the approved person is found to have breached any of the conditions or ceases to be qualified under the Scheme or provided false, misleading or inaccurate declaration or information in his application, the Comptroller may revoke the approval without prior notice.

10.5 Do the requirements for businesses upon de-registration from GST apply to the approved person under the scheme should he de-register from GST?

When the approved person de-registers from GST, he has to fulfil all the requirements pertaining to de-registration like all other GST-registered businesses. Specifically, all the goods (including those received under the AMFT Scheme or any other scheme where GST was suspended) would form part of the assets or stocks where output tax is accountable, where applicable. This is despite that tax was not paid when the goods were purchased under the scheme.

10.6 How is the AMFT status renewed?

The approved person will have to seek approval from Comptroller for renewal at least 3 months before the expiry date of his AMFT status, if he wishes to operate under the scheme immediately after the expiry date of the earlier approval.

⁵ No output tax needs to be declared since payment of GST is not required for supplies of MFO under the scheme.

⁶ No input tax should be claimed as payment of GST is not required for purchases of MFO under the scheme.

10.7 What are the supplier's responsibilities under the AMFT scheme?

The supplier would not have any additional responsibilities under the AMFT scheme, other than the normal obligations as a GST-registered person under the GST Act.

10.8 If my business is under GST group registration, is the AMFT status granted to all members of the GST group?

No, the AMFT status is only granted to the member who has met all the qualifying criteria of the scheme. Conversely, if the approved person was not originally registered under a GST group but subsequently becomes a member of a GST group, the status remains with the approved person.

10.9 If I am acting as a section 33(1) agent, can my overseas principal use my AMFT status to purchase MFO locally without paying GST?

No, your principal cannot use your approved status to purchase MFO locally without paying GST.

11 **Contact Information**

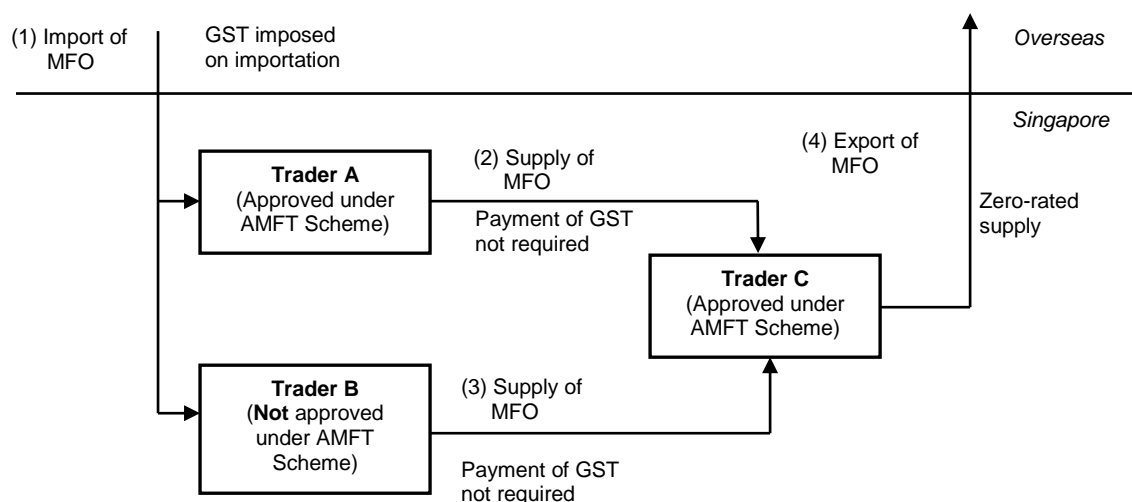
For enquiries on this e-Tax Guide, please contact:

Goods & Services Tax Division
Inland Revenue Authority of Singapore
55 Newton Road
Singapore 307987

Tel: 1800 356 8633
Fax: (+65) 6351 3553
Email: gst@iras.gov.sg

Appendix 1: Illustration On The Operations Under The Scheme

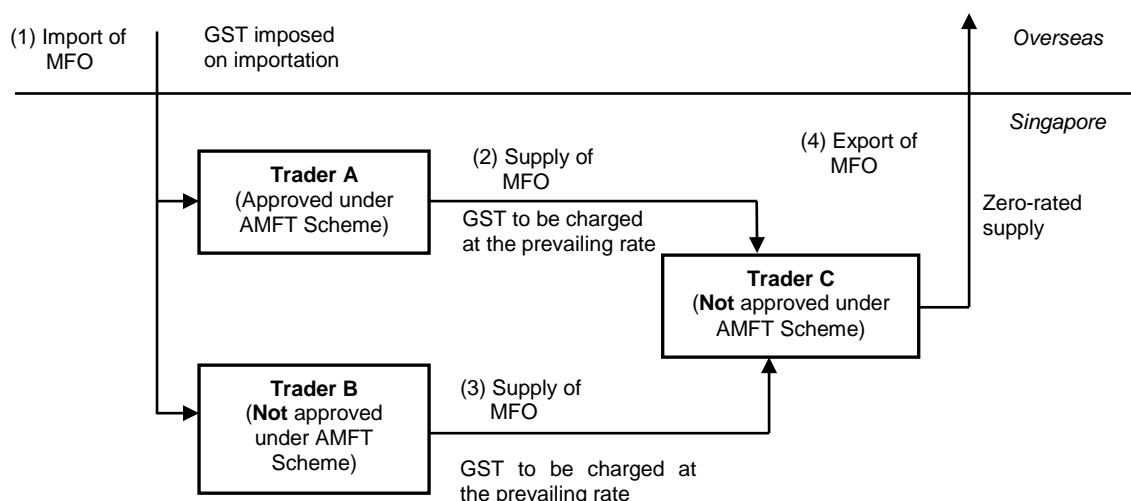
The following diagram illustrates the basic scenario under the AMFT scheme:

(A) Where GST- registered suppliers (either approved or not approved under the scheme) sell MFO to an approved person

Under the scheme, an approved person can purchase MFO locally, without payment of GST

- (1) Traders may purchase MFO locally or import MFO from overseas. Where MFO is imported by traders, GST on import of MFO will still be imposed unless the trader is under MES.
- (2) Payment of GST is not required when trader A (an approved person) sells MFO to trader C (another approved person).
- (3) Payment of GST is similarly not required, when trader B (not an approved person) sells MFO to trader C (an approved person).
- (4) If MFO is sold and delivered directly on board a ship / exported, such a supply of MFO can be zero-rated (i.e. provided proper export documents are maintained).

(B) Where GST registered suppliers (either approved or not approved under the scheme) sell MFO to a non-approved person



- (1) Traders may purchase MFO locally or import MFO from overseas. Where MFO is imported by traders, GST on import of MFO will still be imposed unless the trader is approved under the MES.
- (2) Trader A (an approved person) will have to charge and account for GST on the sale of MFO to trader C (not an approved person).
- (3) Similarly, trader B (not an approved person) will also have to charge and account for GST on the sale of MFO to trader C (not an approved person).
- (4) If MFO is sold and delivered on board a ship / exported by trader C, such a supply of MFO can be zero-rated (i.e. provided proper export documents are maintained).

Appendix 2: Internal Control, Record-Keeping and GST Accounting Requirements of Approved Persons

An approved person must comply with the following requirements:

A. Internal Control

1. An approved person must be able to track sales of MFO (where the payment of GST is not required), to the respective approved buyers under the scheme. He must maintain an inventory system to track the purchase of MFO.
2. An approved person must at all times, be able to provide all documentary evidence on:
 - The quantity and value of MFO purchased or sold;
 - The quantity and value of MFO purchased or sold where the payment of GST is not required.
3. An approved person must perform a complete internal stock-take or inventory audit at least once a year (where applicable). Reconciliation reports must be prepared for all discrepancies.
4. Upon request from the Comptroller, an approved person must produce the proper certification from the licenced bunker surveyor who conducted sample checks on his inventory or sale of MFO.

B. Record-keeping requirements

1. An approved person must maintain proper documentation to track each sale and each purchase of MFO under the scheme. The supporting records for each sale or purchase of MFO must be produced, such as the
 - purchase order
 - collection of payment
 - delivery order duly acknowledged by the buyer
 - certification by the marine surveyor [where applicable]
 - invoice from supplier
2. An approved person must be able to reconcile, from his accounting or business records, the value as well as quantity of MFO sold to approved persons and purchased from suppliers under the scheme from all his other taxable supplies and purchases.

Upon request from IRAS, an approved person must readily produce all these documents.

C. GST Accounting

1. An approved person should declare the value of MFO purchased and sold to other approved persons as his "Value of taxable purchases" (Box 5) and "Value of standard-rated supplies" (Box 1) respectively in his GST returns

based on the time of supply rule. The corresponding "Input tax claimed" (Box 7) or "Output tax due"(Box 6) should not be reported as the payment and charging of GST is not required under the scheme.

2. An approved person is required to issue a tax invoice for the sale of MFO to another approved person under the scheme. The tax invoice should not show any GST amount and must contain the following annotation: "Payment of GST is not required under the AMFT Scheme".

D. Others

1. If an approved person under the scheme wishes to purchase MFO without having to pay GST, he must ensure that the supplier issues a tax invoice that does not show any GST amount and contains the proper annotation "Payment of GST is not required under the AMFT Scheme", and comply with the necessary GST accounting on its sale of MFO.

Appendix 3: Example on the computation of the 50% qualifying threshold**Period from <dd/mm/yyyy> to <dd/mm/yyyy⁷>**

Name of Entity: _____

UEN : _____

			SGD\$	Remarks/Explanation
a	Value of bunker fuel sales (including MFO, MDO, MGO) ⁸	:	e.g. 2,000,000	Includes supplies made in the capacity of: <ul style="list-style-type: none">▪ section 33(2) local GST agent of overseas principals; and▪ own self
b	Value of other revenue received	:	e.g. 690,680	E.g. Rental, interest income
c	Total value of revenue received	:	e.g. 2,690,680	
Computation of qualifying threshold (exceeding 50%) [a/c]		:	74.33%	

⁷ Please use the same 12 months period as stated in Section 2.2 of GST F16

⁸ Please note that under the AMFT scheme, only MFO can be purchased without the payment of GST by approved persons. MDO and MGO are specifically excluded under the AMFT scheme. The inclusion of MDO and MGO in the above computation is merely to ascertain the eligibility of the applicants in meeting the qualifying threshold.

Appendix 4: Letter of Guarantee

A letter of guarantee may be required for the granting or renewing of the AMFT status where the Comptroller of GST thinks fit. We will notify you in writing when a letter of guarantee is required.

The Comptroller of GST only accepts letters of guarantee issued by banks or insurance companies in Singapore. This includes a Singapore branch of a foreign bank or insurance company.

The bank or insurance company must issue the letter of guarantee in accordance with the required format. A specimen format will be sent to you if you are required to furnish a letter of guarantee. The Comptroller of GST will specify the validity period of the letter of guarantee. The Comptroller of GST may lodge a claim during the validity period.

When a letter of guarantee expires at the end of the guarantee period, the letter of guarantee is effectively null and void. Thus, the Comptroller will not return the letter of guarantee or issue a letter of release.