

## Global Trader Programme (GTP)



### Overview

The GTP is administered by IE Singapore, and is targeted at supporting global trading companies undertaking qualifying transactions in qualifying commodities and products. The objective is to facilitate and develop international trade activities, and to attract companies to use Singapore as a base to conduct their international physical trading activities.

The GTP offers a concessionary income tax rate of 5 or 10 percent on qualifying income for a period of 3 (entry-level award) or 5 years (renewable, subject to approval). The scheme is available for application up till 31 March 2021.

Approved GTP companies are subject to meeting certain minimum qualifying criteria, negotiated and set by IE Singapore. The quantitative requirements include minimum annual physical turnover, minimum annual local business spending and minimum number of trading professionals employed throughout the incentive period. There is an expectation of the approved GTP companies to eventually perform strategic functions in Singapore beyond international trading, such as strategic management, risk management, market research, product portfolio development, marketing and sales planning. There could also be other factors to be considered when evaluating the GTP application, like related party transactions and group manufacturing turnover.

## Enhancements under Budget 2017

To facilitate and encourage more trading activities in Singapore and simplify the GTP, the GTP will be enhanced **with effect from 21 February 2017** as follows:

Enhancement 1: Removal of "Qualifying Counterparties" Requirement		
Previous	Enhancement	Implications
Physical trading income in specified commodities must be purchased from and sold <b>to qualifying counterparties</b> in order to qualify for the GTP concessionary tax rate.	Physical trading income derived by approved GTP companies from physical trading in specified commodities will now qualify for the GTP concessionary tax rate.	Approved GTP companies <b>no longer</b> need to track counterparties for physical trading and brokering transactions and segregate income accordingly, as all physical trading and brokering income in specified commodities will now qualify for the GTP concessionary tax rate.
Brokering income in respect of physical trading in specified commodities must be carried out <b>between qualifying counterparties</b> in order to qualify for the GTP concessionary tax rate.	Brokering income in respect of physical trading in specified commodities derived by approved GTP companies will now qualify for the GTP concessionary tax rate.	
Income derived from over-the-counter (OTC) derivative transactions are taxable at the GTP concessionary tax rate if the transactions are <b>cleared through the Singapore Exchange (SGX) AsiaClear Facility or transacted with qualifying counterparties</b> .	Income derived on or after 21 February 2017 from OTC derivative trades <b>with any persons</b> qualifies for the GTP concessionary tax rate, including: <ul style="list-style-type: none"> <li>Income from transactions not cleared through the SGX AsiaClear Facility</li> <li>Income from transactions with related Finance and Treasury Centre (FTC) entities or GTP (Structured Commodity Financing) (GTP-SCF) companies in Singapore</li> </ul>	Approved GTP companies are <b>no longer</b> required to identify and track counterparties for their OTC derivative transactions as gains (and losses) from all OTC derivative transactions are subject to the GTP concessionary tax rate.

Enhancement 2: Removal of "Not for Local Consumption" Requirement		
Previous	Enhancement	Implications
Income from physical trading and brokering physical trades in specified commodities <b>does not qualify</b> for GTP concessionary tax rate where the commodity is purchased for the purposes of consumption in Singapore, or for the supply of fuel to aircraft or vessels within Singapore.	GTP concessionary tax rate will be granted on income derived by approved GTP companies from physical trading and brokering of physical trades, in which the commodity is purchased for the purposes of consumption in Singapore or for the supply of fuel to aircraft or vessels within Singapore.	Approved GTP companies <b>no longer</b> need to separately track such income, as it will now qualify for the GTP concessionary tax rate.

### Enhancement 3: Removal of “Exclusion of Local Value-Add Activities” Condition

Previous	Enhancement	Implications
Income from physical trading in specified commodities that is attributable to the storage and/or value-added activities carried out in Singapore <b>does not qualify</b> for the GTP concessionary tax rate.	GTP concessionary tax rate will be granted to approved GTP companies on physical trading income attributable to storage in Singapore and/or any activity carried out in Singapore which adds value to the commodities.	Approved GTP companies will <b>no longer</b> be required to determine the amount from physical trading in specified commodities that is attributable to any storage and/or value-added activities carried out in Singapore, as such income will now qualify for the GTP concessionary tax rate.

In addition to the above GTP enhancements announced, there are proposed legislative changes to section 43P of the Income Tax Act (ITA). These entail a proposed change in the definition of “global trading company”, i.e. the definition of a company that could be awarded the GTP, as per below:

### Change to the Definition of “global trading company” in Section 43P of the ITA

Current Definition	Proposed New Definition
“Global trading company” means a company carrying on the business of international trading of commodities or commodities futures.	“Global trading company” means a company that carries on the business of international trading of commodities or commodities derivatives, or of brokering international trades in commodities, or both.

The proposed legislative changes to section 43P of the ITA also include a proposed change to the definition of “qualifying company”, i.e. a company that could be awarded the GTP-SCF (“Structured Commodity Financing”) incentive, which provides concessionary tax rate on income from carrying on qualifying SCF activities, as per below:

### Change to the Definition of “qualifying company” in Section 43P of the ITA

Current Definition	Proposed New Definition
“Qualifying company” means — a) an approved global trading company; or b) a company which is a wholly-owned subsidiary of a global trading company, which carries on any qualifying structured commodity financing activities, treasury activities, or advisory services in relation to mergers and acquisitions, prescribed under subsection (1).”	“Qualifying company” means — a) an approved company that carries on the business of international trading of commodities or commodities derivatives; or b) a wholly-owned subsidiary of another company, where the other company carries on the business of international trading of commodities or commodities derivatives, that carries on any qualifying structured commodity financing activities, treasury activities, or advisory services in relation to mergers and acquisitions, prescribed under subsection (1).”

## Our comments

The changes to the GTP supports a much fuller value chain of trading activities, thus enhancing Singapore's attractiveness as a global trading hub, while retaining the incentive's intent to support substantive physical trading activities.

In particular, income from the following transactions, which was previously not qualifying, is now supported under the enhanced GTP:

- Transactions where commodities are imported, undergo value-added activities in Singapore, such as physical alteration, addition or improvement (including refining, blending, processing or bulk-breaking), and then are re-exported.
- Transactions where commodities are stored in Singapore.
- Transactions where commodities are consumed in Singapore.
- Transactions where the commodities are purchased for the supply of fuel to aircraft or vessels within Singapore.

Companies with business models that may not have benefitted from the above changes may now stand to benefit from the incentive. Examples include companies that trade in commodities which undergo significant value-add in Singapore, or companies that store their commodities in Singapore in the course of trade.

The enhancements to the GTP simplify the administrative and compliance burden of GTP companies. Approved GTP companies are no longer required to track counterparties on both the buy and sell legs of the transactions, trace the consumption destinations of certain commodities, and identify the local value-add components in trading transactions.

Nevertheless, it should still be noted that the following requirements would still be applicable:

- GTP concessionary tax rate continues to apply only to qualifying income from transactions in specified commodities as approved by IE Singapore.
- The minimum annual physical trading turnover of at least S\$5,000,000 for each commodity as specified in the company's Letter of Award.
- Approved GTP companies should remain bona fide physical trading companies for the entire incentive period as IE Singapore would continue to monitor the volume of paper versus physical trades on an annual basis.
- Approved GTP companies should ensure that a majority of their physical trading activities involves unrelated parties on the buy and/or sell legs of the transactions.

Nonetheless, approved GTP companies should continue to pay close attention to the classification of qualifying and non-qualifying income and expenses, as well as the allocation basis of indirect expenses, which would continue to be a focus area of review by the Inland Revenue Authority of Singapore (IRAS).

In any case, we understand from IE Singapore that the intent of the GTP remains to encourage companies to carry out their international physical trading activities in Singapore, and approved GTP companies should continue to ensure that they remain bona fide physical trading companies.

In view of the above changes, existing approved GTP companies should review their internal controls, sales and purchase accounting and incentive compliance framework to benefit from the GTP enhancements. Companies looking at applying or renewing their GTP status should also evaluate their financial projections to assess their abilities to benefit from the GTP enhancements, and have timely discussions with IE Singapore.



