



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON SHIPPING INDUSTRY

Publication

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The Guide on Shipping Industry as at 24 March 2014 is withdrawn and replaced by the Guide on Shipping Industry revised as at 22 December 2015.

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This information is intended to provide a general understanding of the relevant treatment under Goods and Services Tax and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While RMCD has taken the initiative to ensure that all information contained in this Guide is correct, the RMCD will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

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INTRODUCTION

1. This Industry Guide is prepared to assist you in understanding matters with regards to Goods and Services Tax (GST) treatment on shipping industries.

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also chargeable on the importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 2014 is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Thus, this mechanism would avoid double taxation and only the value added at each stage is taxed.

GENERAL OPERATIONS OF THE INDUSTRY

Overview of shipping industry

5. The Merchant Shipping Ordinance, 1952 (MSO 1952) provides that the definition of ship includes every description of vessel used in navigation not propelled by oars. However for the purpose of the Goods and Services (Zero-Rated Supply) Order 2014, the definition of ship is given as:

‘Ship’ includes every description of vessel on navigation not propelled by oars as provided under the Merchant Shipping Ordinance 1952 including any vessel owned or operated by the government of a foreign state but does not include any vessel which is designed or adapted for recreation, pleasure or other than freight transportation or passenger transportation.

6. The following categories of ship are considered as qualifying ship for the purpose of zero-rated with regards to services in relation to ship under related item in Second Schedule of Goods and Services (Zero-Rated Supply) Order 2014:

- (a) any Malaysian ship registered under Part II_A, MSO 1952 and used for freight transportation or passenger transportation includes:
 - ferry;
 - RORO vessel;
 - tanker;
 - liner;
 - conventional cargo vessel.
- (b) any foreign owned ship registered under Part II_C, MSO 1952;
- (c) any foreign registered ship used for international shipping of freight or passenger transportation; or
- (d) any vessel owned or operated by the government of a foreign state.

7. 'Ship' does not include (the list is not exhaustive):

- (a) off-shore oil or gas installations that are floating structures e.g. FPSO vessels (Floating Production, Storage and Offloading);
- (b) vessels that are permanently moored as attractions e.g. floating ship museum;
- (c) vessels which are designed or adapted for recreation or pleasure e.g. cruise, powerboats or yachts;
- (d) boats propelled by oars e.g. lifeboats, decorative traditional boats;
- (e) barges not self-propelled whether or not registered under Part II_A, MSO 1952 or foreign registered;
- (f) dredgers;

- (g) Malaysian government vessels;
- (h) any Malaysian ship registered under Part II_A, MSO 1952 and used for other purpose (other than freight transportation or passenger transportation);
- (i) any foreign registered ship used for other purpose (other than freight transportation or passenger transportation);
- (j) any vessel licensed under section 474 MSO 1952; or
- (k) yachts and recreational boats registered under Langkawi International Yacht Registry Act 2003 (LIYRA).

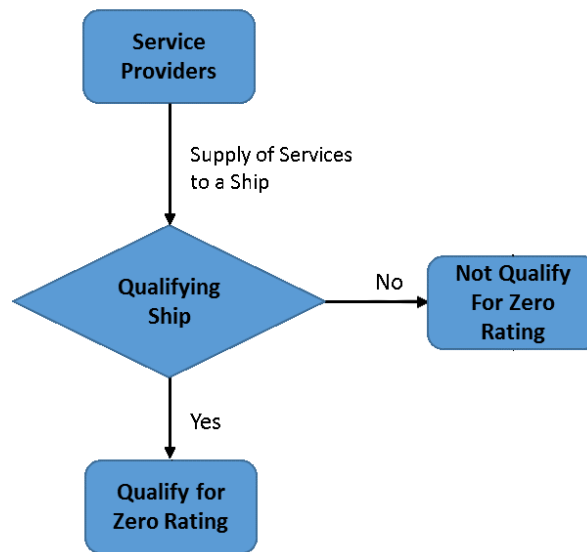
8. Under Section 5, of MSO 1952, Minister of Transport may declare any port or place in the Federation and any navigable river or channel leading into such port or place to be a port. Thus, any references with regards to port in Second Schedule of Goods and Services (Zero-Rated Supply) Order 2014 refers to port which is declared by Minister or a place declared as a port under the Merchant Shipping Ordinance 1960 of Sabah or the Merchant Shipping Ordinance 1960 of Sarawak.

9. The limits of the port shall extend up to high-water mark, and may include any piers, jetties, landing places, wharves, quays, docks and other similar works, whether within or without the line of high-water mark, and, subject to any rights of private property therein, any portion of the shore or bank within fifty yards of high-water mark.

GST TREATMENT FOR SHIPPING INDUSTRY

10. Generally, in shipping industry, any supply of goods or services in Malaysia is subject to GST at standard rate. However, supply of services to a ship can only be zero rated if the ship is a qualifying ship (as in paragraph 6) and comply with the provision of services under the relevant item in Second Schedule of the Goods and Services (Zero-Rated Supply) Order 2014.

Diagram 1: Qualify for zero rating



Supply of Goods

Sale of ship, vessel or floating structure of any description

11. The sale of a ship, vessel, floating structure of any description is treated as a supply of goods and subject to GST at standard rate if it is sold locally or imported. The supply is zero-rated if the goods is exported.

12. With regard to goods mentioned in paragraph 11, building the whole goods under contract where the whole property of the goods will be transferred after completion is a supply of goods. However, this does not include the construction of goods where all materials and parts is provided by the owner of the goods to the contractor. This is a supply of service.

13. If a contractor engages a subcontractor to build goods, the subcontractor will have to charge GST to the main contractor for the service provided.

Example 1:

FH Shipping Sdn Bhd (FHSB) which is located in Lumut, Perak sells a RORO vessel to a local customer. The sale of the RORO vessel is subject to GST at standard rate.

Example 2:

RBV Petroleum imported an oil rig from Korea and intend to use the rig in Malaysia.

- *RBV has to pay GST on importation of the oil rig when it is imported into Malaysia.*

Example 3:

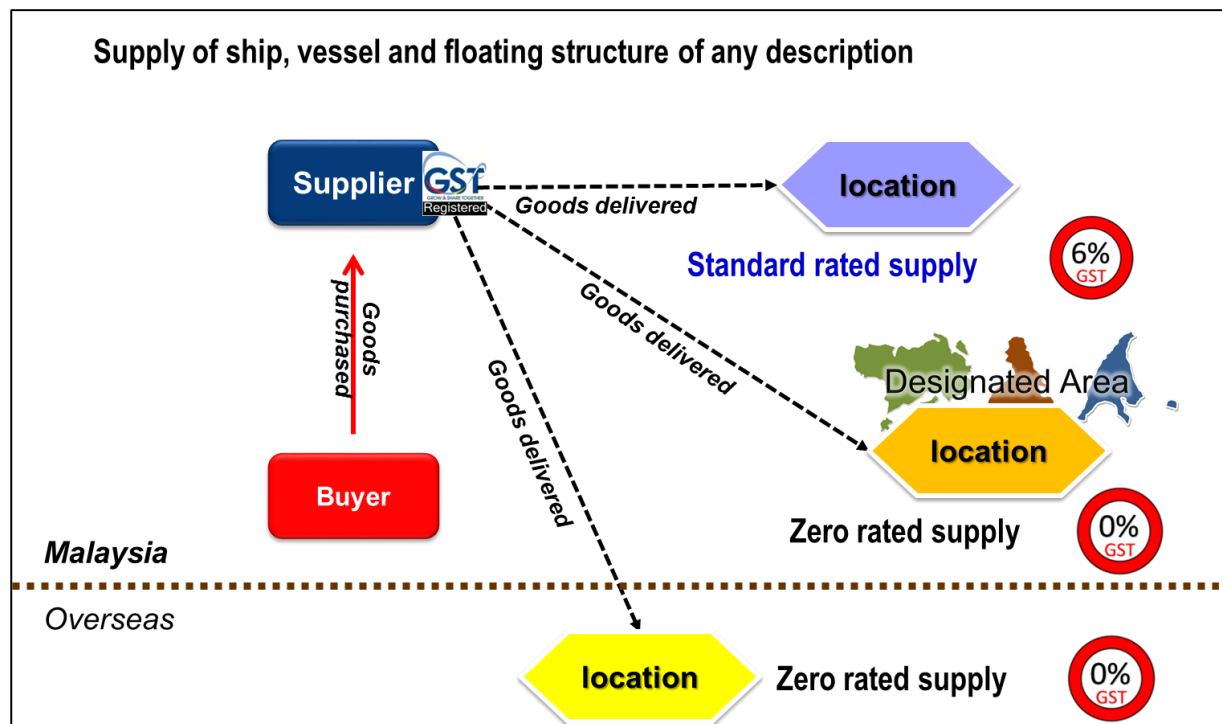
Ship Solution Sdn Bhd sells a tanker to a foreign company which does not have an establishment in Malaysia. Later, the tanker is registered in Singapore. The sale is subject to GST at zero-rated.

Example 4:

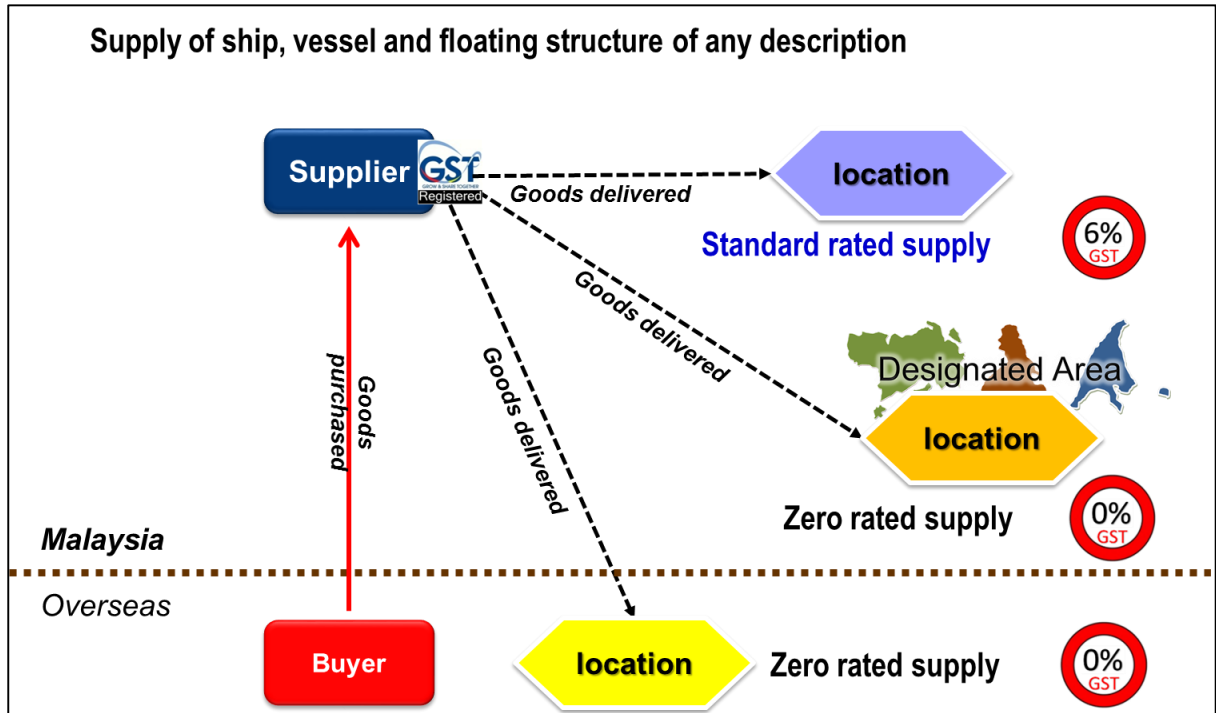
Ship Solution Sdn Bhd sells a vessel to a company in designated area (DA). The sale is subject to GST at zero-rated.

14. The following illustrations provide the GST treatment on supply of goods.

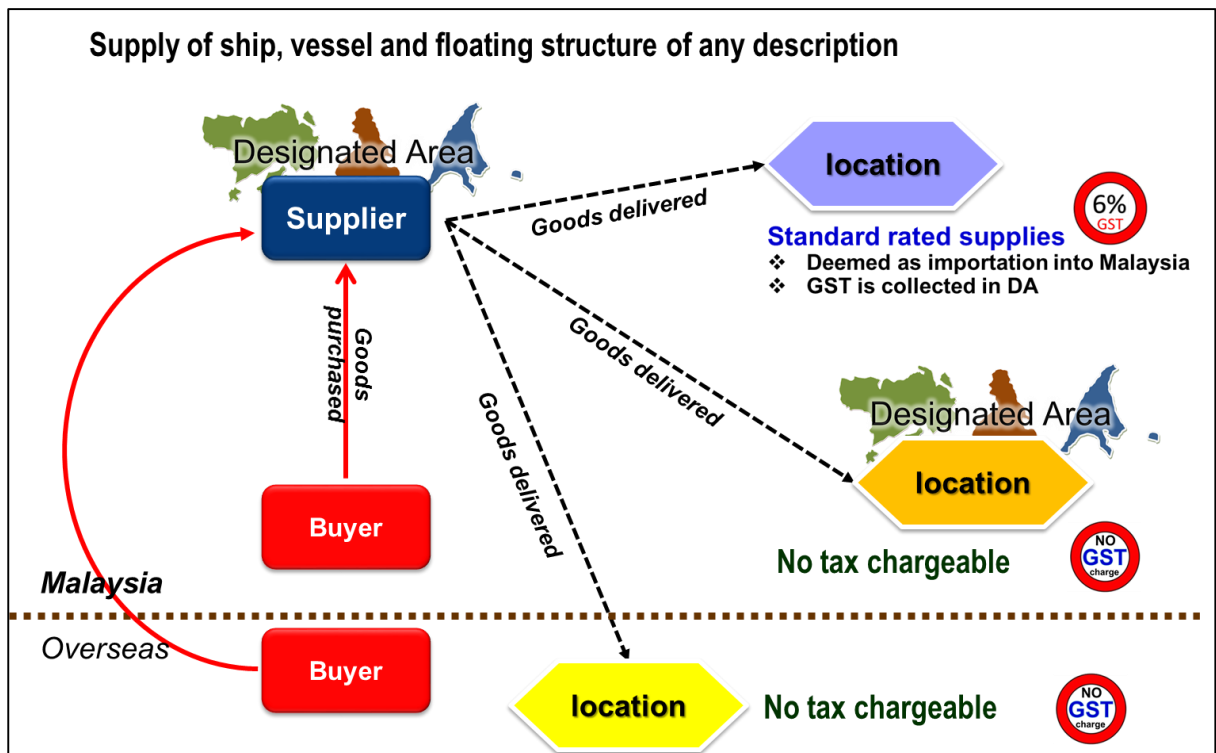
Senario 1: The buyer of the goods is in Malaysia



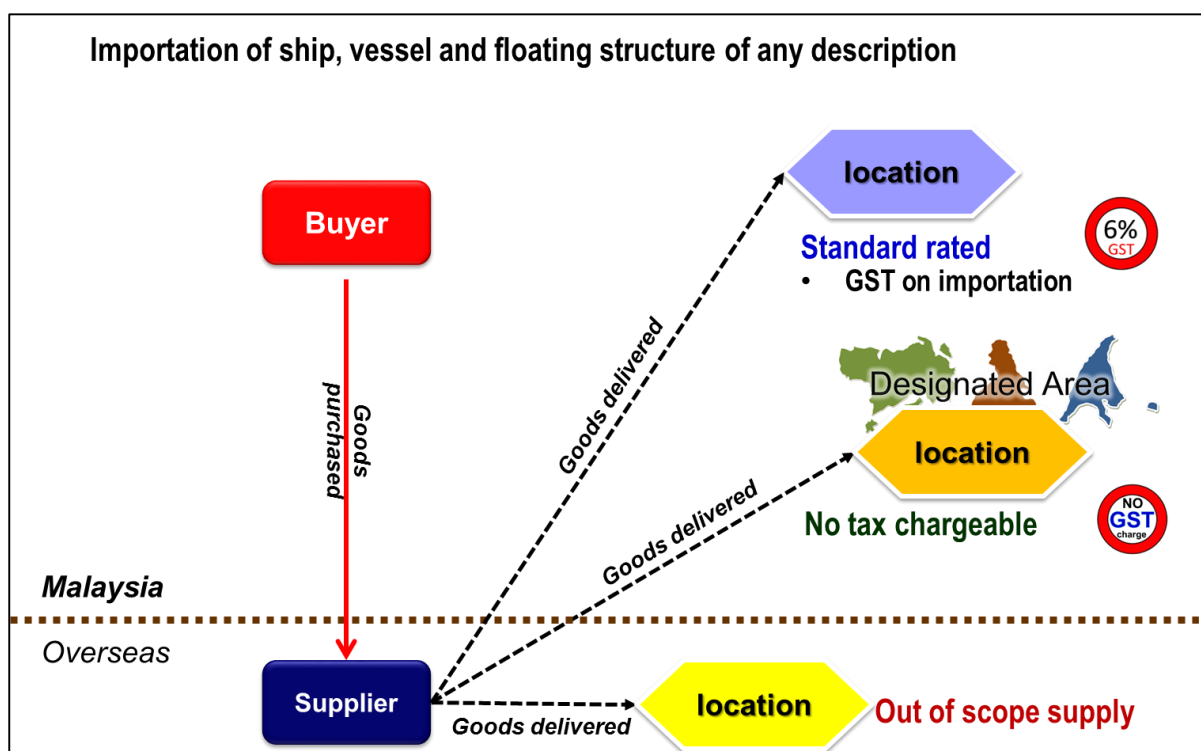
Senario 2: The buyer of the goods is outside Malaysia



Senario 3: The supplier of the goods is in Designated Area (DA)



Senario 4: The supplier of the goods is outside Malaysia



15. Supply of goods by GST-registered person will be based on the destination of the goods to be delivered, regardless where the supplier belongs or buyer located. The following is the summary of GST treatment on supply of goods.

Goods originated from	Destination of goods	GST treatment
Malaysia	Malaysia	Standard Rate
	DA	Zero Rate
	Outside Malaysia	Zero Rate
Outside Malaysia	Malaysia	Standard Rate (Importation)
	DA	No Tax Chargeable (Importation)
	Outside Malaysia	Out of Scope

DA	Malaysia	Standard Rate (Deemed Importation)
	DA	No Tax Chargeable
	Outside Malaysia	Zero Rate

Ship stores

16. Ship stores means goods intended for consumption by the crew and passengers on board of ship but excluding spare parts and equipment. Goods brought on board by the crew or passengers as their personal belongings or for private use, are not ship stores. Please refer to glossary for more details on ship stores which qualifies for zero rating.

17. Goods for use as stores on a voyage to or from a place outside Malaysia (international voyage) is zero-rated under item 4, of the First Schedule of Goods and Services (Zero-Rated Supply) Order 2014.

18. The supply of ship stores is not zero-rated for ships which are not for international voyage.

19. However, supplies of ship stores are also zero-rated for ships that ply between ports of Peninsular Malaysia and East Malaysia which make stops in Singapore, Indonesia or Brunei in between the journey.

Example 5:

ZZ Holding has a contract to supply ship stores for all international shipping line.

- *Supplies of ship stores intended for international voyages qualifies for zero rate under item 4 of the First Schedule of Goods and Services (Zero-Rated Supply) Order 2014. ZZ Holding needs to request supporting document from shipping line to prove that the ship ply to or from a place outside Malaysia.*

Example 6:

At the same time, ZZ Holding also supplies ship stores to a private-owned yacht bound for sail around the world.

- *This supply is a standard rated supply because it is made to a private yacht.*

Bunker oil

20. Bunker oil is any fuel required for the operation of a ship. Bunker oil is part of ship stores.

21. The supplies of bunker oil to the following ships are zero-rated:

- (a) ships on international voyages
- (b) ships that ply between ports of Peninsular Malaysia and East Malaysia but make stops at the port in Singapore or Indonesia in between the journeys.

22. Domestic travel ships such as ferries, cruises and non-cargo vessels like tugboats and dredgers are not entitled supply of bunker oil at a zero-rate.

Goods for sale by retail in a ship

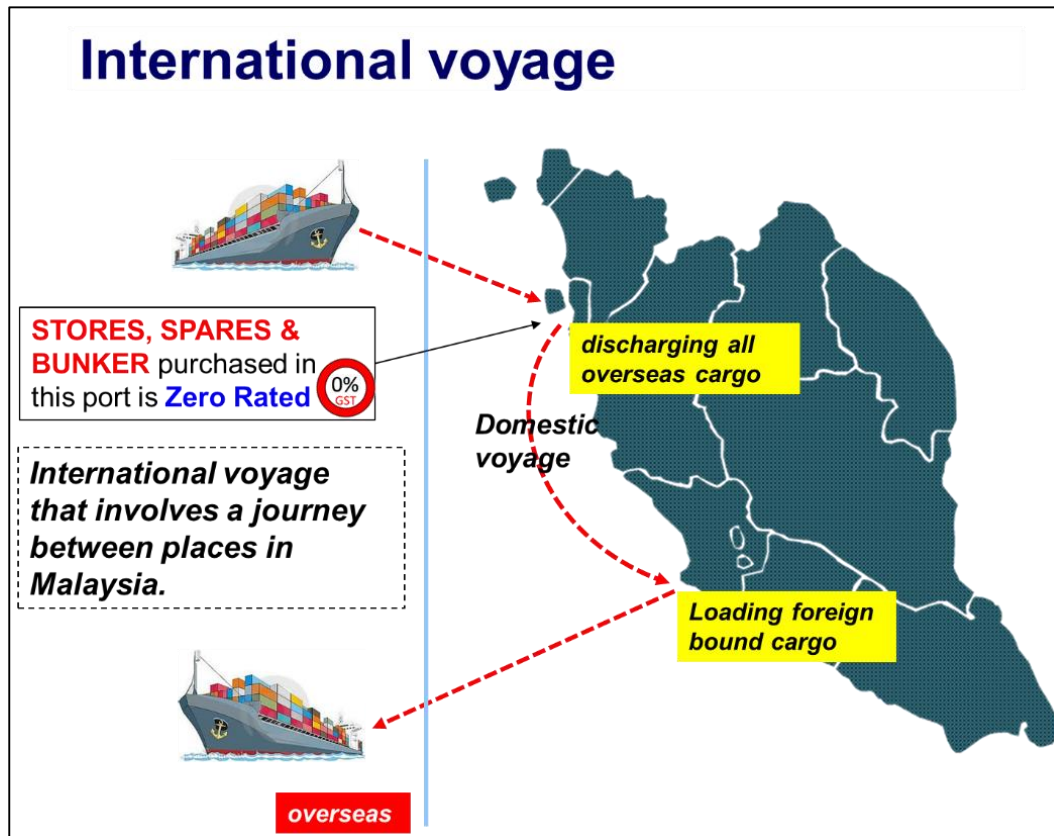
23. Goods for use as merchandise for sale by retail to persons carried on a voyage to or from a place outside Malaysia (international voyage) in a ship is a zero-rated supply under item 4 of the First Schedule of Goods and Services (Zero-Rated Supply) Order 2014.

Ship spares

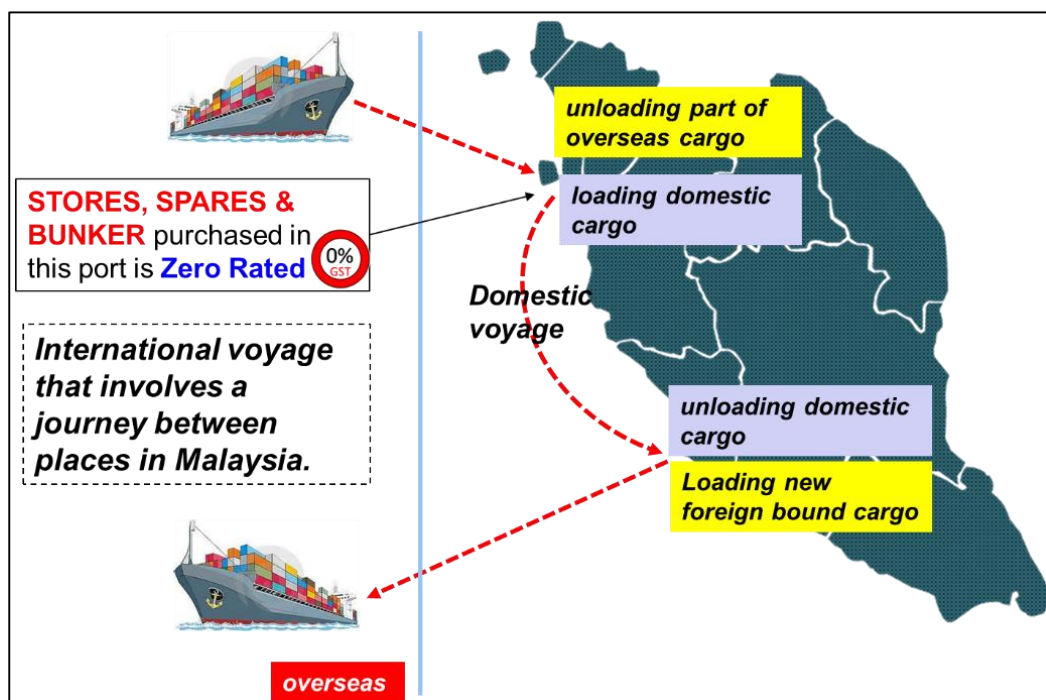
24. Spare parts are parts or components of a ship which are intended to be used for replacing defective or worn out parts or components. The supply of spare parts for use on an international voyage is zero-rated under item 5 of the First Schedule of Goods and Services (Zero-Rated Supply) Order 2014.

25. The following illustrations provides various scenario for zero-rated supply of ship stores, spares and bunker with regards to ship on international voyage that involves domestic voyage:

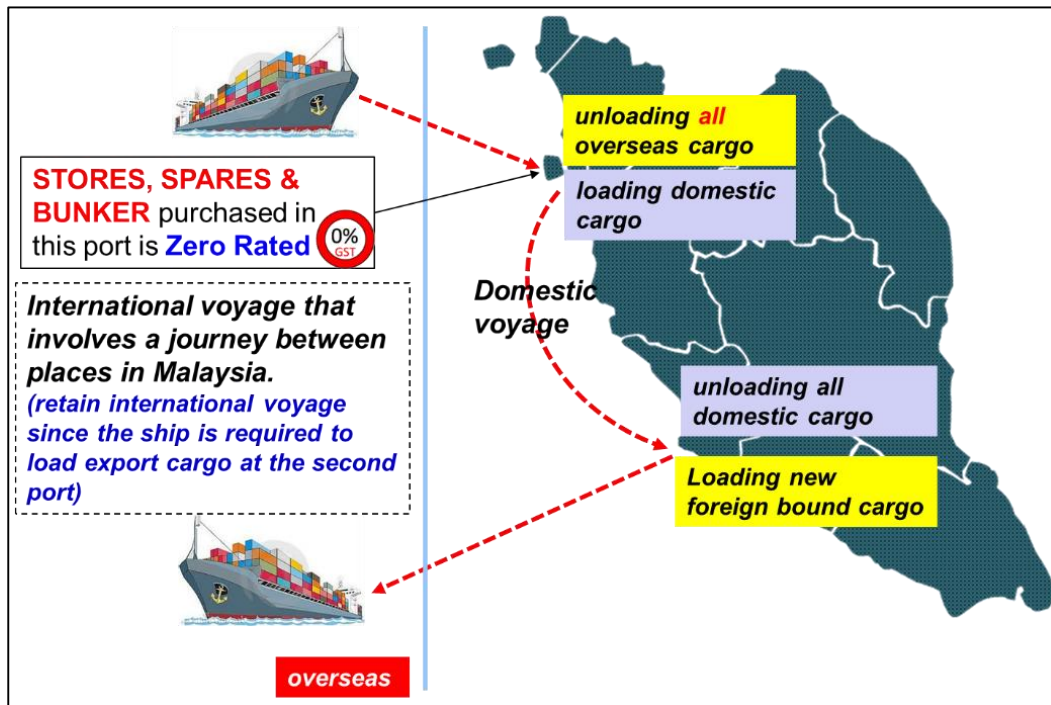
Senario 5:



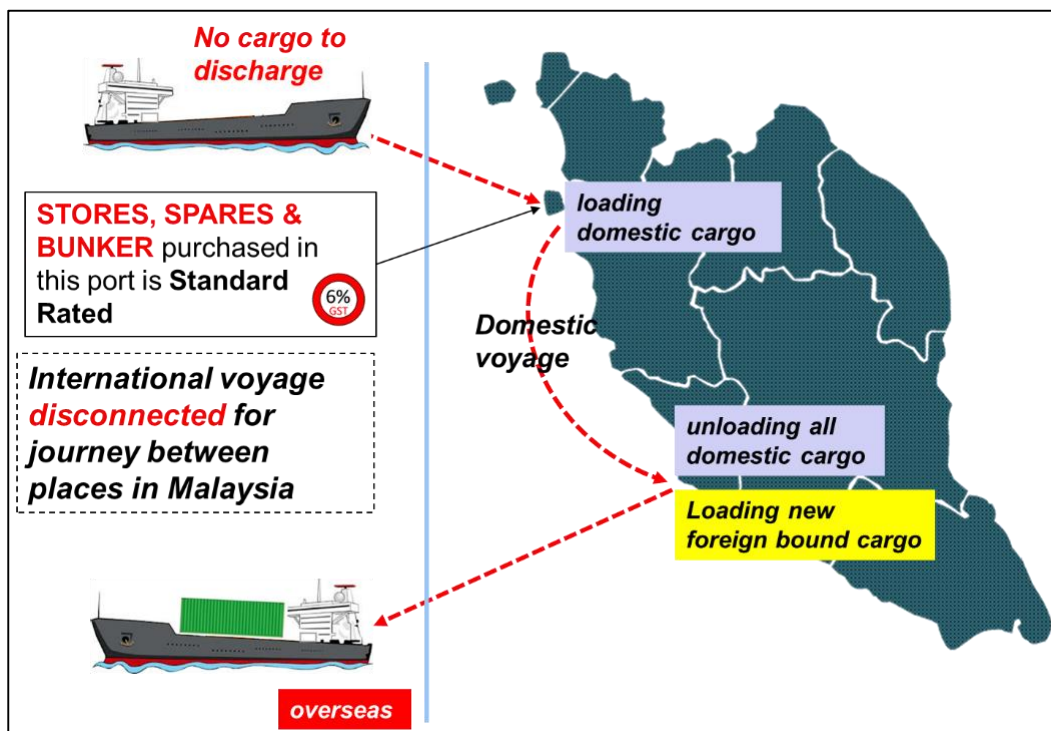
Senario 6:



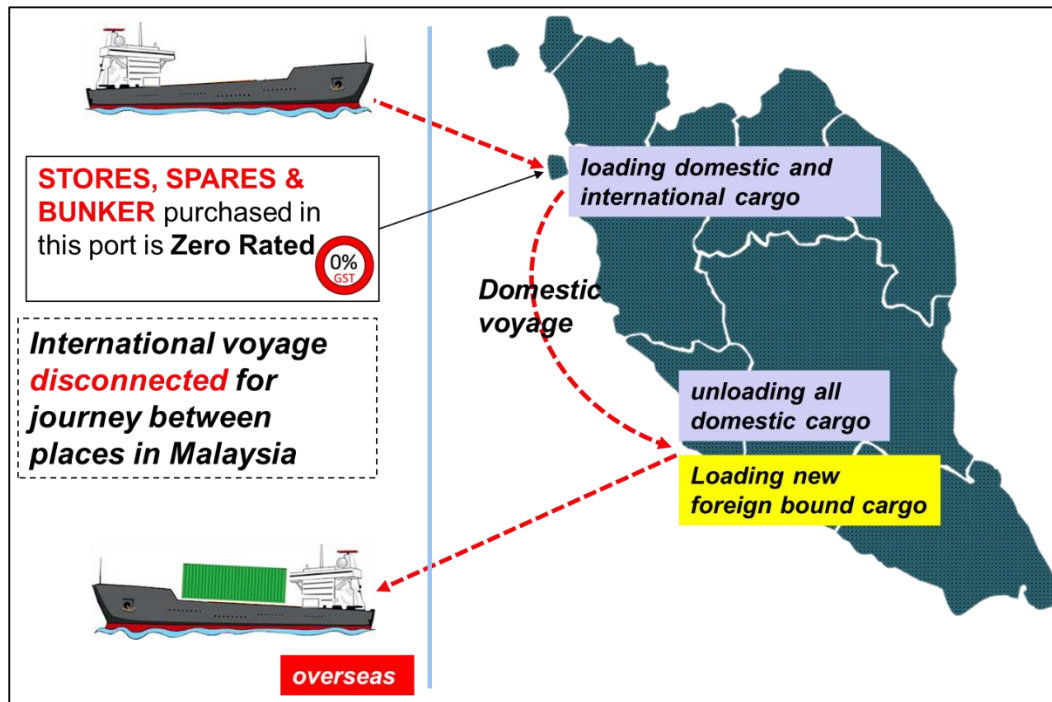
Senario 7:



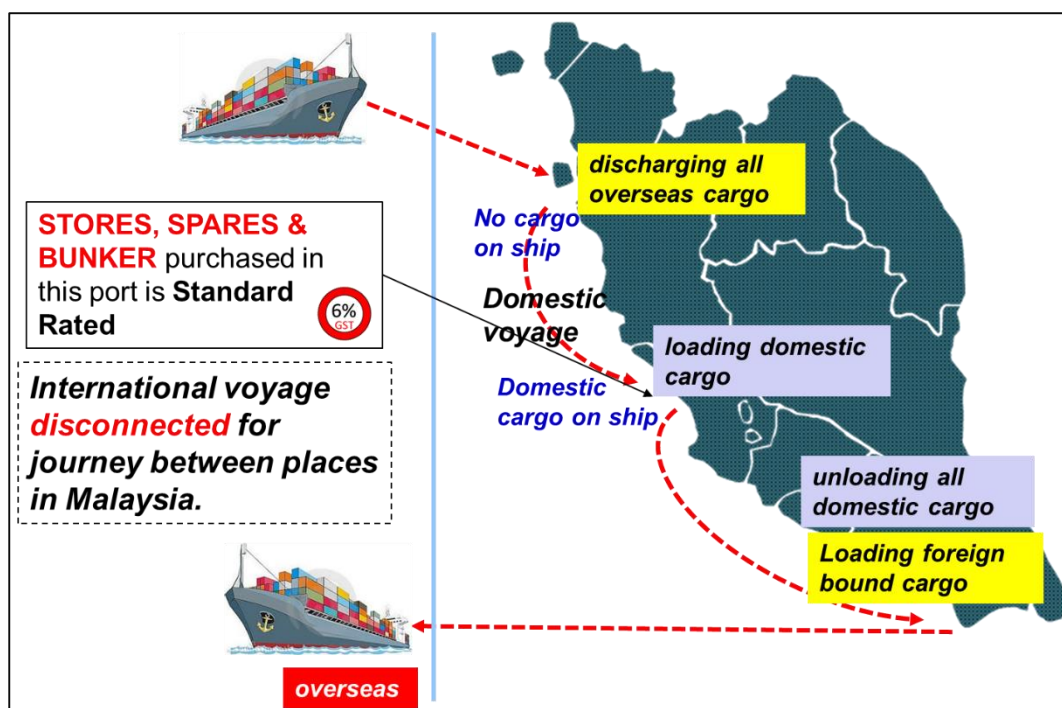
Senario 8:



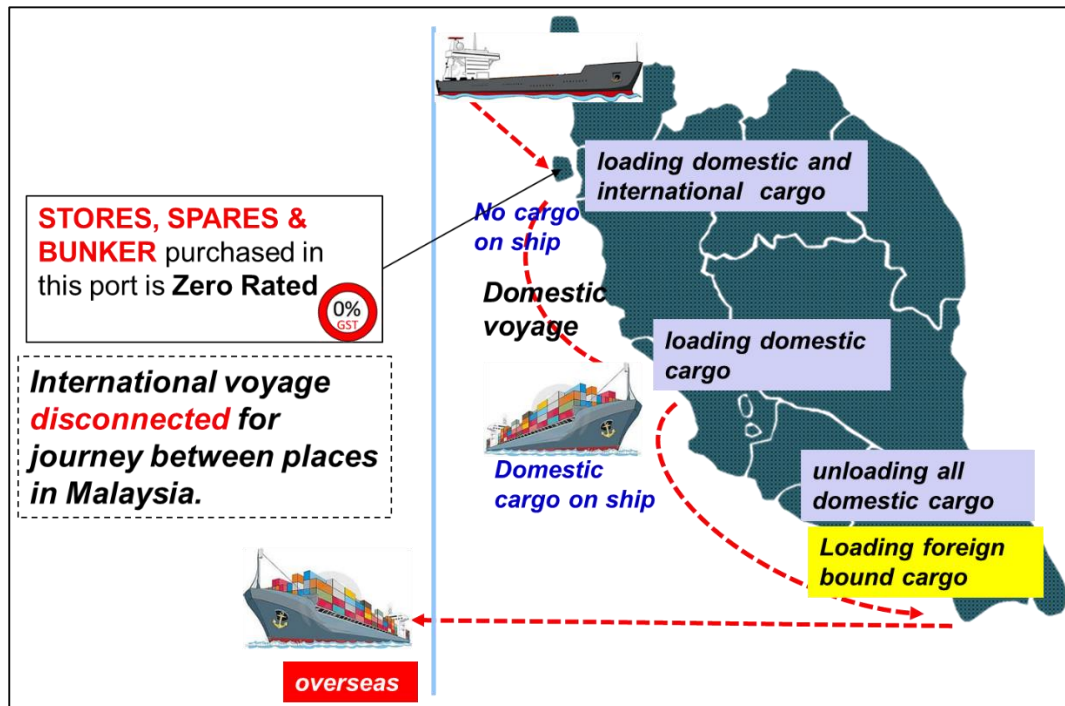
Senario 9:



Senario 10: Carrying domestic cargo from Port Klang to Port Tanjung Pelepas (PTP) – store, spares & bunker is standard rated because when it is purchased, it does not involve international voyage since all the cargo carried by the ship is domestic cargo. However, it will be zero-rated if international cargo loaded in Port Klang.



Senario 11:



26. The supplies of ship stores, spares and bunker oil are zero-rated only if the goods are supplied directly to the ship. If the supplies are made to intermediaries, the supplies are taxable and subject to GST at a standard rate.

Supply of Services

27. In general all supply of services made in Malaysia is subject to GST at standard rate except services listed in Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

28. Any reference of ship in the Second Schedule of the Goods and Services Tax (Zero-Rated Supply) Order 2014 is confined to qualifying ship (please refer paragraph 6).

Ship handling services

29. Handling services given to the qualifying ship in the port which directly benefits a person in his business capacity is a zero-rated supply under subitem 1(a), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014. Please refer to glossary for more details on ship handling services.

Example 7:

CSCCL Hong Kong is a ship which belongs to China Shipping and is not registered in Malaysia. Upon arriving at Port Klang, the shipping agent appointed by China Shipping will have to declare the arrival of the ship and pays light dues. The ship will also be charged for services used while in the port such as pilotage, wharfage and mooring.

- *There is no GST on light dues since it is an out of scope supply.*
- *The other supply of services are zero-rated.*

Navigation services

30. Navigation services supplied in a port to any qualifying ships are zero-rated under subitem 1(b), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014. However, if the services are provided by the government i.e. the Marine Department of Malaysia the supply is an out of scope supply on which GST is not chargeable.

31. The navigation services includes:

- (a) Pilotage
- (b) Towage
- (c) Tugboat

Example 8:

KWL Services Sdn Bhd provides towage services from Langkawi Port to Kuala Muda jetty.

- *The services are standard rated supply because it is provided outside the port area.*

Salvage services

32. Marine salvage is the process of rescuing a ship, its cargo and sometimes the crew from peril. Situations of vessel in peril are when it is aground or in danger

of going aground. Salvage encompasses rescue towing, re-floating a grounded ship and patching or repairing a ship on site.

33. All salvage services rendered in relation to qualifying ships are zero-rated under subitem 1(c), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014, regardless the salvage services are rendered within Malaysian or international waters.

Repair and maintenance services

34. Repairing means fixing a ship for any damage excluding the parts, while maintenance services are the services provided to a ship in order to maintain the ship in good condition. Maintenance services include:

- (a) testing of parts and components;
- (b) cleaning; and
- (c) fumigation.

35. The supply of services for the repair and maintenance of a qualifying ships is zero-rated under subitem 1(d), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014 provided that:

- (a) the repair or maintenance is carried out on board of the ship;
- (b) any part or component of the ship is removed for repair and reinstalled on the ship;
- (c) any part or component of the ship is removed for repair and returned to the ship as a spare; or
- (d) any part or component of the ship is removed and replaced by an identical part or component.

36. If the contractor engages a subcontractor to do the repair work, the subcontractor will have to charge GST to the main contractor GST at a standard rate.

37. All ship repair and maintenance services is not subject to GST if the services are performed in a designated area.

38. Where parts or component of a ship is being replaced while repair and maintenance services are performed, the supply of such parts or component is also zero-rated under subitem 1(d), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014. Please refer to glossary for more details on parts and equipment which qualified for zero rating.

Surveying and classification services

39. Surveying and classification is a procedure involving:

- (a) the development of standard of a vessel
- (b) technical plan review and design analysis
- (c) survey during contraction and source inspection of material, equipment and machinery
- (d) subsequent periodic survey for maintenance of class
- (e) survey of damage, repairs and modification

40. The supply of survey and classification services for qualifying ships is zero-rated under subitem 1(e), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Brokerage and agency services

41. Intermediaries are those who are acting in the name or on behalf of ship owners. They can be shipping agents, ship managers or ship brokers. Services provided by shipping intermediaries to a qualifying ship are zero-rated under subitem 1(f), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Management services

42. A supplier is generally regarded as supplying management services if it earns a fee through taking charge of all matters relating to ship.

43. Management services supplied in relation to a qualifying ship which directly benefit to a person wholly in his business capacity is zero-rated under Item 2, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014. Management services supplied in relation to private or personal capacity is subject to GST at standard rate.

44. Their services include :

- (a) administrative support and handling of ship, for example:
 - the engagement and replacement of crew
 - arranging for victualing (supply of food) and ship stores, bunker fuel
- (b) arrangement and supervision of the operations and handling of ship, for example:
 - arranging of insurance in connection with a ship
 - arranging and supervision of security of a ship
 - arranging of salvage and towage of ship
- (c) arrangement and supervision of technical services, for example:
 - the arrangement and supervision of dry-docking, lay-up and repair of ship
 - the arrangement and supervision of the maintenance of ship
 - the arrangement and supervision of survey and classification of ship

Chartering services

45. If only part of the cargo space or seating capacity in any ship is being supplied, that is not a supply of the ship but a supply of charter for freight or passenger transport.

46. The charter of a ship must relate to the whole ship. The two parties may also agree that their contract (charter party) provides that the hiring of the ship is with or without crew.

47. If charter of a ship without crew, this arrangement is called a bareboat or dry charter. Depending on the contract, normally the maintenance of the ship/vessel and operating cost borne by the charterer.

48. If charter of a ship with crew, this arrangement is called a wet charter. Depending on the contract, normally the maintenance and the custody of the ship/vessel under the purview by the ship owner. However, operating cost is borne by the charterer.

49. Chartering/hiring of a ship to be used in Malaysia is a standard rated supply. On the other hand, chartering/hiring of a ship to be used outside Malaysia is zero-rated under Item 9, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014 provided:

- (a) the ship is exported to outside Malaysia; or
- (b) the ship is already outside Malaysia when the service is provided.

50. A lease of a ship is a supply of services. If the ship is being leased from a foreign company who does not have an establishment in Malaysia, the lessee will have to pay GST upon importation of the ship taken place from 1st April 2015 and onwards and there is no GST (imported services) on the lease payment to the foreign company. Similar treatment with regard to leasing of ship from Designated Areas (DA), GST will be charged on the importation of ship.

51. If the ship is being leased from a foreign company who does not have an establishment in Malaysia prior to 1 April 2015, the lease services is treated as imported services.

Example 9:

HPY Sdn. Bhd. has chartered a ship to be used in Malaysia under a bareboat charter from an owner who is in Japan. Payments made by HPY Sdn. Bhd. to the foreign ship owner are payments for a supply of imported services.

- *HPY will have to apply the reverse charge mechanism when accounting for GST in GST return.*

52. With regards to paragraph 50 & 51, in the case that the lease agreement is extended and the ship is already in Malaysia, the lease services are treated as imported services.

Example 10:

Double WH Berhad chartered out a ship to a foreign business on a bareboat charter basis for 5 years for the transport of cargo between destinations outside Malaysia. After two years, the charterer informs Double WH Berhad that the ship is to ply between Malaysian ports and obtains a Domestic Shipping License from the Marine Department.

- *The supply of charter is zero-rated for the first two years.*
- *Once the ship is used in Malaysian waters, Double WH Berhad will have to charge the charterer GST at a standard rate.*

53. Summary of GST treatment for charter of ship/vessel (dry charter)

Supplier belongs	Recipient belongs	Usage	GST Treatment
Malaysia	Malaysia/ Foreign	In Malaysia	Standard rate
Malaysia	Malaysia	Outside Malaysia	Zero rate item 9, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014
Malaysia	Foreign	Outside Malaysia	Zero rate item 9, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014
Foreign	Malaysia	Malaysia/ international	Imported services Sec. 13(5), Goods and Services Act 2014
Foreign	Malaysia	Outside Malaysia	Out of scope

Supplier belongs	Recipient belongs	Usage	GST Treatment
Foreign	Foreign	International	Out of scope

54. Summary of GST treatment for Charter of ship/vessel (wet charter)

Supplier belongs	Recipient belongs	Usage	GST Treatment
Malaysia	Malaysia/ Foreign	In Malaysia	Standard rate
Malaysia	Malaysia	International shipping / Outside Malaysia	Zero rate under item 4 or 9, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014
Malaysia	Foreign	International shipping / Outside Malaysia	Zero rate under item 4 or 9, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014
Foreign	Malaysia	In Malaysia/ international shipping	Imported services Sec. 13(1), Goods and Services Act 2014
Foreign	Malaysia	Outside Malaysia	Out of scope
Foreign	Foreign	International shipping	Out of scope

Modification and Conversion Services

55. Modification or conversion is the act of changing or altering the structural design and size of a ship. It is not considered as repair or maintenance services. All modification or conversion services are subject to GST at standard rate.

Container Services

56. Sea containers are an essential part of transporting goods either locally or internationally. The same container can be used over and over for local and international journey.

57. The supply of sea containers by way of leased, is zero-rated under item 24, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014 provided that the containers must:

- (a) be used for transporting goods; and
- (b) conform to the standards defined by the International Organization for Standardization, the Institution of International Container Lessors or any other equivalent organization.

58. Any services relating to the leased container (e.g. modification, repair, painting, cleaning and etc.) is subject to GST at a standard rate.

Services by Port Authority/port operator

59. Loading or unloading, handling services or storage of goods carried or to be carried in a ship provided by a port operator or any person authorized by the Minister responsible for transport, in a port is zero-rated under subitem 3(1), Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

60. For the purpose of paragraph 59, port operator includes:

- (a) Port Authority
- (b) person licenced by Port Authority as Private Port Operator (Federal Port)
- (c) person licenced by State Authority as Port Operator
- (d) person licenced by government to operate private terminal, wharf, jetty or legal landing places gazetted under Customs Regulation 1977.

61. “Handling services” includes:

- (a) stevedoring and portorage;
- (b) loading, unloading, reloading, stowing, securing and shifting cargo, the use of cranes and weighing machines;
- (c) sorting, opening for inspection, repairing and making good, weighing and tarring, taping and sealing, erasing and re-marking, labelling and renumbering, tallying, checking, sampling, measuring or gauging of goods;
- (d) survey of cargo (including damaged cargo);

- (e) cargo security services;
- (f) presenting goods for customs declaration;
- (g) preparing or amending customs declaration;
- (h) preparing or amending bills of lading, airway bills, and certificates of shipment.

FREQUENTLY ASKED QUESTIONS

Q1: I am a tugboat operator in Kota Kinabalu Port. I bought a tugboat from a supplier in Labuan. Will I be charged GST by my supplier?

A1: No, your supplier will not charge you GST, however you need to pay GST for the importation of the tugboat.

Q2: I own a powerboat and it is leased to a hotel in Langkawi. The guest of the hotel will charter my boat for sightseeing around Langkawi. My business operation is in Kuala Perlis. As a GST-registered person do I need to charge GST on the leasing of the powerboat to the Hotel?

A2: Yes. The leasing of the powerboat is subject to GST at standard rate.

Q3: Is handling services provided to a foreign owned yacht subject to GST?

A3: Yes, yacht is not a qualifying ship therefore it is not entitled for zero rating.

Q4: What is the GST treatment on the repair, maintenance and installation services on offshore floating structure?

A4: If floating structure is located in Malaysia the supply is standard rate. On the other hand, if floating structure is outside Malaysia the supply is zero-rated under item 11, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Q5: A powerboat operator sends its boat to me for repair and maintenance services. As a GST-registered person do I need to charge GST?

A5: Yes, you need to charge GST at standard rate because powerboat is not a qualifying ship.

Q6: I have a company in Port Dickson which manages powerboats belong to a few individuals. I charge the owners of the powerboats for the services of managing the powerboats. Can I zero rate my services?

A6: No. Powerboats which are used for recreational purposes do not qualify for zero rating.

Q7: My company is appointed by a Malaysian shipping company to issue classification certificate for a ship which is built in Japan. Do I need to charge GST for the classification service if I am a GST-registered person?

A7: Although the classification service is related to ships in Japan, for GST purposes it is considered as a supply of service made in Malaysia because the supplier belongs in Malaysia. The supply is zero-rated under item 11, Second Schedule, Goods and Services Tax (Zero-Rated Supply) Order 2014.

Q8: My company is engaged to afloat a sunken boat in a river. As a GST-registered person do I need to charge GST?

A8: Yes. Salvage services with regard to non-qualifying ships is subject to GST at a standard rate.

Q9: I own a few containers which are not registered with any standardization organization. Currently, the containers are used for transportation of cargo by land. As a GST-registered person, do I have to charge GST if I lease the containers?

A9: Yes. The lease of the containers is subject to GST at a standard rate because the containers do not adhere to the standardization requirement.

Q10: What is the treatment on cleaning, maintenance and repairs of containers?

A10: The services are subject to GST at a standard rate because the services are not related to a ship and the services are performed in Malaysia.

INQUIRY

1. For any inquiries for this guide please contact:

Sector V

GST Division

Royal Malaysian Customs Department

Level 3 – 7, Block A, MenaraTulus,

No. 22, PersiaranPerdana, Presint 3,

62100 Putrajaya.

Email: gstsector5@customs.gov.my

FURTHER ASSISTANCE AND INFORMATION ON GST

2. Further information can be obtained from:

(a) GST website : www.gst.customs.gov.my

(b) Customs Call Center :

- Tel : 03-7806 7200 / 1-300-888-500
- Fax : 03-7806 7599
- E-mail : ccc@customs.gov.my

GLOSSARY

Parts

- (a) Parts and equipment which qualify for zero rating.

However, this list is not exhaustive. Please refer to Customs before zero rating any other parts.

- anchors
- industrial catering equipment
- industrial laundering equipment
- cranes
- lifeboats and life rafts
- propellers and rudders
- radar and navigation equipment
- safety equipment (eg. life jackets)
- nuts, bolts, hoses, oil seals and rivets
- communication equipment used for the operation of the ship
- sanitary fixtures

- (b) Parts and equipment which do not qualify for zero rating. However, this list is not exhaustive.

- raw materials (e.g. fiber board, plastics, specialist metals)
- bulk materials (e.g. adhesives, chemicals, fabrics, inhibitors, metals, oils, paints, solvents and thinners)
- partly processed parts or equipment
- binoculars

- domestic catering equipment
- domestic laundering equipment
- crockery and cutlery
- diving equipment
- unfixed furniture and soft furnishings
- missiles
- telephones
- televisions
- tools
- underwater cameras
- video tapes, video games and similar entertainment equipment
- tooling and equipment used for manufacturing parts or equipment

Ship handling services include:

- port and harbour services
- dock and berth services
- wharfage services
- conservancy services (including provision of local lights, buoys and beacons)
- graving dock services
- mooring services
- demurrage services (where this is a charge for failure to load or discharge a ship within specified time)
- security and fire services

Ship stores

Ship stores are goods intended for consumption on board a ship and not to be brought personally by its crew or passengers. Some examples of ship stores are:-

- foods
- confectionery
- tobacco products
- beverages
- water
- toiletries
- medical supplies