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CUSTOMS AND EXCISE DEPARTMENT

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All Petroleum Warehouse Licensees

UPGRADING/DOWNGRADING AND BLENDING ACTIVITIES OF OIL COMPANIES

Currently oil companies undertake various upgrading/downgrading and blending activities within their licensed premises for operational/technical reasons (eg. to correct an off-specification product) or for marketing considerations. Based on the feedback obtained from the oil industry, we have streamlined the Customs reporting requirements by oil companies for such activities in order to facilitate your operations.

2 The new/streamlined Customs reporting requirements for upgrading/downgrading and blending activities will take effect from 1 Oct 99 as elaborated below:

3 Upgrading/Downgrading Activities

3.1 Currently, all operations involving the mixture of two or more dutiable products are deemed and reported as upgrading/downgrading activities to Customs. Written prior approval is required from Customs for such activities. We are pleased to inform you that with effect from 1 Oct 99, only the following two activities undertaken by oil companies shall be reported to Customs as upgrading/downgrading:

a) Mixing of Dutiable Products to Form a Non-Dutiable Product

The mixing of two or more dutiable products to form a non-dutiable product shall be classified as downgrading. Prior approval from Customs is required before any product is downgraded. You may apply for such approval at our email address, ced_petroleum@pacific.net.sg

b) Product Piggging in Pipeline Transfer

Oil companies shall classify the transfer of product interface (due to product piggging) in their pipelines from one licensee to another as an upgrading/downgrading activity. In an upgrading activity, the duty rate for the upgraded product is higher than the duty rate before the activity (eg. regular gasoline upgraded to premium gasoline). Similarly, in a downgrading activity, the duty rate for the downgraded product is lesser than the duty rate before the activity (eg. premium gasoline downgraded to regular gasoline). A blanket approval is granted by Customs for all upgrading/downgrading activities arising from pipeline transfers in order to facilitate your operations.



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3.2 Please note that you are required to report the details of the upgrading/downgrading activities monthly via Petrolink by the 10th day of the following month.

4 **Blending Activities**

4.1 The following activities/operations of oil companies shall be reported to Customs as blending:

a) Mixing of Two or More Petroleum Products

All operations involving the mixing of two or more dutiable/non-dutiable petroleum products in the following forms shall be classified as blending:

- i) Dutiable product + Dutiable product = Dutiable product
- ii) Dutiable product + Non-dutiable product = Dutiable product.
- iii) Non-dutiable product + Non-dutiable product = Non-dutiable product.

As the first and second activities [ie. (i) & (ii)] involve dutiable products, oil companies are required to submit a blending schedule to Customs via Petrolink by the 10th day of the following month. Duty on dutiable petroleum product shall be paid to us on the blending loss, which exceeds the permitted allowances. The blending loss allowance for petroleum products with a flashpoint below 23°C is 1% and for petroleum products with a flashpoint of 23°C and above is 0.6%.

b) Mixing of Additives Within Licensed Premises

For practical purposes, only operations involving the mixing of more than 1000 PPM (or more than 0.1% by vol.) of additives to gasoline shall be treated as blending. A blending schedule shall be submitted monthly via Petrolink by the 10th day of the following month.

c) Mixing Of Additives Outside Licensed Premises

Prior approval shall be sought from Customs if an oil company wish to perform special mixing/blending operations outside their licensed premises.

5 For any clarifications, please contact Mr. W P Johns at Tel: 3552092.

JASWANT SINGH
HEAD PETROLEUM
for DIRECTOR-GENERAL OF CUSTOMS & EXCISE



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