EXPLANATORY MEMORANDUM TO

THE TONNAGE TAX (TRAINING REQUIREMENT) (AMENDMENT) REGULATIONS 2009

2009 No. 2304

1. This explanatory memorandum has been prepared by Department for Transport and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 These Regulations increase the amounts to be used in calculating payments in lieu of training payable under the Tonnage Tax (Training Requirement) Regulations 2000 (S.I. 2000/2129).

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The Tonnage Tax (Training Requirement) Regulations 2000 are made under powers in Schedule 22 (tonnage tax) to the Finance Act 2000 (c. 17). Schedule 22 provides shipping companies with an alternative regime for calculating their profits for the purposes of corporation tax. The regime only applies if a shipping company makes an election to that effect. The effect of an election is to bring into charge to corporation tax the company's tonnage profits in place of its relevant shipping profits. Its tonnage profits are calculated by reference to the net tonnage of the qualifying ships operated by the company.

4.2 A company making a tonnage tax election (a "tonnage tax company") must meet certain minimum obligations in connection with the training of seafarers. A tonnage tax company may meet its obligations by making payments in lieu of training ("PILOT" payments). The 2000 Regulations prescribe the nature of the minimum training obligation and the basis for calculating PILOT payments. These regulations are made to effect an annual uprating in line with inflation of the amounts to be used in calculating the PILOT payments. The previous annual uprating was made by S.I.2008/2264.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- ***What is being done and why***

7.1 One feature of UK tonnage tax is to impose a minimum training obligation on companies entering the scheme. This is to train one officer trainee per year for every 15 officer posts in the company's effective officer complement, and to give consideration to employment and training opportunities for ratings.

7.2 The training commitment was adopted to try to ensure an increase in UK seafarers to meet both present needs at sea and future jobs onshore in the maritime services sector.

7.3 The 2000 Regulations provide for training shortfalls to be made good by payments in lieu of training to the independent Maritime Training Trust, a body independent of Government which holds and allocates the monies received by it for the purpose of promoting the training of seafarers. These payments therefore need uprating annually in order to maintain their real value.

- ***Consolidation***

7.4 This instrument revokes amendments to PILOT payment rates for previous years. The revocations are not retrospective.

8. Consultation outcome

8.1 The original rate of PILOT payments was agreed after discussion in the Shipping Working Group when tonnage tax was developed. The group included representatives from the maritime trades unions and the Chamber of Shipping. The initial rate for PILOT payments was set to be slightly higher than the cost of having a trainee in post and social partners were aware that it would be increased annually in line with the Treasury GDP Deflator, to maintain its real value.

9. Guidance

9.1 The Department will write to tonnage tax companies in advance of the new Statutory Instrument coming into force. Tonnage tax companies are aware that the level of PILOT payments will be uprated for inflation each year as the Department's guidance brochures make reference to this.

10. Impact

10.1 The impact on business, charities or voluntary bodies is that tonnage tax companies will have to pay increased PILOT rates.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment has not been prepared for this instrument as it only provides for increases in line with the rate of inflation before being rounded to the nearest pound.

11. Regulating small business

11.1 The legislation applies to all tonnage tax companies which could include small business. However, the majority of tonnage tax companies are not small businesses and the impact on any small business is likely to be minimal.

12. Monitoring & review

12.1 The Department will review PILOT payment rates with a view to making a further amendment to the legislation in 12 months time.

13. Contact

Roger Thompson at the Department for Transport (Tel: 020 7944 5280 or e-mail: Roger.Thompson@dft.gsi.gov.uk) can answer any queries regarding the instrument.