EXPLANATORY MEMORANDUM TO

THE TONNAGE TAX (TRAINING REQUIREMENT) (AMENDMENT) REGULATIONS 2015

2015 No. 788

1. This explanatory memorandum has been prepared by the 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 amend the Tonnage Tax (Training Requirement) Regulations 2000 (S.I. 2000/2129) by introducing an option to provide training for three eligible rating trainees in place of each eligible officer trainee for whom training would otherwise be required to be provided.

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 (the "2000 Regulations") 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. The 2000 Regulations prescribe the nature of the minimum training obligation.

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

7.1 One feature of UK tonnage tax is to impose a minimum training obligation (MTO) 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 Most officer trainees are cadets, but companies have the option of training two ratings-to-officer conversion trainees each year in place of one cadet.

7.3 Where a company is unable to train or sponsor trainees, it may, subject to the agreement of the Secretary of State, propose to fulfil its MTO by making payments in lieu of training (PILOT). PILOT may also arise as a result of an increase in the number of ships operated by a company, or because of a shortfall in the training carried out.

7.4 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. However, while it includes a numerical training requirement in respect of officer trainees, there is no such requirement in respect of ratings.

7.5 The Chamber of Shipping and the maritime trade unions made a joint proposal for the 2000 Regulations to be amended to allow three Able Seafarer ratings to be trained each year in place of one officer cadet. These regulations therefore amend the 2000 Regulations by introducing a ratings training option into the MTO.

7.6 The Chamber of Shipping and the maritime trade unions have indicated that the costs of training three rating trainees instead of one officer trainee will be broadly cost neutral. The amendment to the 2000 Regulations will be piloted for at least three years.

8. Consultation

8.1 No consultation took place on these Regulations. However, the introduction of a ratings training option is a permissive change: it provides companies with an alternative means of fulfilling their MTO, but imposes no additional obligation on them. As previously stated, this change has been requested by the Chamber of Shipping and the maritime trade unions.

9 Guidance

9.1 The Department will write to tonnage tax companies in advance of the new Statutory Instrument coming into force. Revised guidance will also be published on the Government website.

10. Impact

10.1 The impact on business is that tonnage tax companies will have an alternative means of fulfilling their tonnage tax minimum training obligation. No impact is expected on charities or voluntary bodies.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment is attached to this instrument and will be published alongside the Explanatory Memorandum on www.legislation.gov.uk.

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 pilot the introduction of the ratings training option for at least three years.

13. Contact

Stephen Eglesfield at the Department for Transport (Tel: 020 7944 5121 or e-mail: stephen.eglesfield@dft.gsi.gov.uk) can answer any queries regarding the instrument.