

**EXPLANATORY MEMORANDUM TO THE
TONNAGE TAX (TRAINING REQUIREMENT) (AMENDMENT)
REGULATIONS 2005**

2005 No. 2295

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. Description

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

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

None

4. Legislative Background

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 ("MTO") 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.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

Not applicable.

7. Policy background

- 7.1 A unique feature of the UK tonnage tax is that it imposes 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, as well as 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 (PILOT) to the independent Maritime Training Trust (MTT), 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.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it only provides for increases in line with the rate of inflation.
- 8.2 The impact on the public sector is nil.

9. Contact

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