

## Tonnage Tax Cell Circular No. 1 of 2004

No.1-TT(1)Cell/2004

Dated: December 30, 2004

**Subject: Training commitments linked to tonnage tax**

Sir,

1. As you are aware, Govt. of India has introduced tonnage tax in the Finance Bill, 2004. It has come into force w.e.f 1.4.2004. The window period for existing qualifying companies exercising option for tonnage tax is available from 1.10.04 to 31.12.04 in terms of section 115 VP(2) of Income Tax Act , 1961 as amended by Finance Act, 2004.

2. The Directorate has been in touch with shipping companies and keeping the shipping industry informed of various developments in this regard specially regarding formation of Maritime Training Trust (MTT) and the guidelines which are being notified by the Central Govt. prescribing the training commitments. The Directorate had convened series of meetings with representatives of INSA. The Directorate has also informed the non-INSA members and has also convened separate meeting with non-INSA members, informing them of the highlights of tonnage tax regime and training commitment thereof. The National Press and Maritime Press have also been publishing news items regularly on these issues thereby creating awareness among stakeholders about training obligations and relative provisions.

3. You are requested to intimate us immediately in the **enclosed format**, about the details of your option exercised alongwith acceptance, if received from Income tax authority as mentioned in Para 1 above. You may kindly indicate the name and number of vessels, type of vessel, net tonnage, requirement as per Safe Manning Document, training commitment taking basis of 1:10 compliment of Safe Manning Document.

4. An important condition for applicability of Tonnage Tax scheme is provision for minimum training requirement for tonnage tax companies which has been prescribed under section 115VU of Income Tax Act, 1961. The guidelines have been finalised by the Directorate and have been sent to Govt. of India for notification. According to the guidelines, each qualifying ship will have to provide training to one trainee officer for a complement of 10, based on Safe Manning Document. Such trainee officers will have to pay a training fee of determined amount to be decided by D.G. Shipping. Based on the feedback received, the Directorate and MTT have decided that the fee should be structured on two tier basis based on GRT of qualifying ship. The training fee payable by the trainee officer is in the name of MTT shall be :

- (i) For ships whose GRT is more than 500, Rs. 10,000/- for every month of training and shall be subject to a maximum of Rs. 2,00,000/-.
- (ii) For ships whose GRT is less than or equal to 500, Rs. 3,000/- p.m. subject to a maximum of Rs. 1,00,000/-.
- (iii) The administrative cost shall be ten (10) per cent of the total training fees, which shall be paid by the tonnage tax company and trainee officers in equal proportion.

5. This amount so collected from trainee officers is payable back to such trainees by MTT, in case they work for such tonnage tax companies for a period of 3 years. This provision has been contemplated to mitigate the problem of shortage of officers availability to Indian flag vessels. Similarly, tonnage tax companies shall pay suitable stipend to be decided by MTT. At present, it has been decided that stipend payable to such trainee officer shall be minimum Rs. 5000/- per month. Shipping companies may however, choose to pay more to such trainee officer.

6. The training fees and administrative cost prescribed shall be payable by a trainee officer in advance for a period of six months to the MTT and such fees paid by a trainee officer shall be collected by the tonnage tax company in the name of the MTT and forthwith deposited in the corpus of the MTT. It will be the responsibility of such shipping company to deposit the fee with the MTT and suitable acknowledgement of the same be kept.

7. The tonnage tax companies will have to furnish necessary information alongwith the training fee to be deposited by such trainee officers through tonnage tax companies. In case the tonnage tax company has not provided any training to trainee officers, they must gear up immediately w.e.f. **1<sup>st</sup> January, 2005**. The payment of training fee to the MTT will have to be made accordingly.

**Yours faithfully,**

**Sd/-  
(Naresh Salecha)  
Sr.Dy. Director General of Shipping**