How are the Dutch doing?

In today's shipping tax regulations

-Dissertation-

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Summary

In this day an era where crisis term are dropping like a flies we turn to examine the condition of one of the most crucial industries a country could have, the maritime industry. As will be made clear in this paper is that people have come to realize and accept the importance and allure of having such a maritime industry. Even though we are living in a globalized world, this paper will concentrate for a great majority on the current maritime Dutch situation. With this mind set, theories behind policies and flags choice will pass the revue. In this paper it will become obvious that nations tend to be a bit obsessed in policy making however there are some who question if this is the right way to go. Ultimately through this information we will come to the crucial part of this paper were the current aim of this paper will be answered. By means of real case testing we will try to see how, the Netherlands, one of the pioneers that initiated the fiscal shipping policies is doing nowadays and to what extend it is holding its ground when it is compared to other countries.

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Contents

Chapter 1: Introduction

1.1 Relevance

For Europe and in certainly for the Netherlands, maritime transport has been one of the key stepping stones to economic growth and to achieve success throughout its history. Maritime transport not only enables trade and contacts between the European countries but is also essential in helping the European economy to compete on a global basis. Approximately 90% of the EU external freight trade is seaborne whereas short-sea shipping is responsible for 40% of Intra-European freight[1]. Yearly, circa 400 million sea passengers embark and disembark in European ports. Therefore we can conclude that maritime industries are a crucial source of employment, revenues and opportunities in Europe and a whole host of allied industries relying on this particular business [2].

Many maritime nations recognize the important link between international trade and maritime transport and in order to attract several economic activities competitive shipping policies are set into motion. One of the pillars within the competitive shipping strategies is the tax fragment (Leggate 2009). As such The Netherlands, as a traditional maritime nation, also recognizes this need for an appropriate policy to ensure the continuous performance of its maritime business and therefore introduced in 1996 a shipping policy with explicit fiscal and financial incentives. In a fact, the origin of these fiscal shipping policies is a reaction to the flagging out problem that was being noticed up to this moment within the Netherlands (Goulielmos, 1998). Ship owners as mentioned above where looking for more prosperous flags under which they could sail on and less hesitant to leave their own traditional maritime nations in search of better economic waters (Haralambides, 1997).

In order to tackle this problem, the Netherlands thought of pioneer fiscal incentives schemes for its own maritime industry which had positive effects on the development of its maritime sector. However years after having introduced their incentives, Monitor shipping policy (2004) came to the conclusion that the Dutch fiscal shipping policy has lost their edge on how to distinguish their competitive position. It is clear that other maritime countries have used the Dutch tax schemes as a building block on which they have further developed more competitive schemes for their own national maritime.

[1] http://ec.europa.eu/transport/maritime/index_en.htm
[2] Commission Communication: Strategic goals and recommendations for the EU's maritime transport policy until 2018, COM (2009) 8, 21.1.2009

The possibility of flagging out has brought up new challenges for all maritime countries. Therefore this topic has gained a lot of momentum and gained a lot of importance from different parties. This includes national governments wondering about the future of their maritime sector. However, the opinions about providing maritime sectors with these beneficial incentives are not unanimous. Therefore this dissertation will serve as a mean to clarify the abovementioned predicament and give clear views on this topic. The following paragraph will provide us with questions which will form the backbone of this dissertation.

1.2 Research Question

Main question

Has the Dutch shipping tax system been able to develop itself over the years and where do we stand nowadays when taking other maritime nations into account?

The economic downturn over the last past decades has put a lot of strain on the maritime industry which has caused the focus to be centralized on the profit maximization or more accurately cost minimization which has led to the phenomena of flagging out (Lee, 1996). In order to answer the main question there will be theoretical review provided which is combined with an empirical analysis.

The following questions will render theoretical and empirical analysis which gives insight within this dynamic industry.

Sub question

- What are the motives behind the creation of national shipping policies?
- How do shipping companies make their flag choice?
- What are the differences of other shipping policies when compared to the Dutch policy?
- How does the Dutch shipping tax rank when compared to other schemes?

1.3 Purpose

As mentioned above, the purpose of this dissertation is to provide insight in the current classification of the Dutch shipping tax system when compared to other national schemes and to provide conclusions and recommendation in order to maintain or regain its competitive position. The reasoning behind this question is that nowadays e.g. there are numerous forms of tonnage tax created by other nations and even the modified-Dutch tax model, implemented by other countries.

1.4 Methodology

In order to be able to grasp the magnitude of the information available about this topic, a combination of different research methods will be applied. First of all the theoretical part of this paper will concentrate on providing general information available of the shipping policies, types of registries and fiscal models and thus serve as a base on which to further build on.

The empirical part of the paper will provide a more in-depth overview from selected maritime nations and the current policies they have come to apply. Additionally, a real case will test the policies of selected nations to each other. This in turn will determine the attractiveness of the Dutch position within these maritime policies. Based on these findings recommendations can be made as to whether the company in question should stay or relocate to more beneficial location.

Furthermore interviews will be held with professionals who have specialized themselves within this area and have seen the consequences and benefits from the introduction of the fiscal scheme. Their views and opinion in combination with the empirical study will shed light on the direction in which the Netherlands is going with its current tax model and to what extend it will hold in the future.

1.5 Structure

As discussed in the previous section, there are numerous methods being used in this dissertation in order to get a good perception on how the Dutch tax system is doing when compared to others. Therefore a clear and good and logical structure is needed. Chapter two will contain background terminologies and relevant information; thus enclosing the answer of the first two questions. Chapter three will focus on the empirical studies of different maritime nations and their policies. In addition this section will entail the different opinions from experts which were obtained through interview. An

overview will be provided and selection of countries will be made which will then be compared with the current Dutch tax system based. The fourth chapter will contain both an analysis of different maritime nations while utilizing a case in which it becomes clear the difference and even resemblances between shipping tax policies nowadays. Lastly, chapter five will yield conclusion and recommendation based on the information presented in both chapter three and four.

Chapter 2 Theoretical review

2.1 Introduction

The decrease in the global economy and in merchandise trade during the last crisis has reshaped the nature of the shipping industry in several ways. Shipping companies are active in a fragile global economic market and are faced by multiple uncertainties. Due to the fact that maritime transport services derive from global economic growth; shipping and its recovery remain subject to developments in the wider economy (UNCTAD 2010).

In a phase in which the maritime shipping environment is characterized by excess capacity, shipping companies face intense competition and a strong bargaining power on the demand-side. This has resulted in a decline on the price level of transport services. This trend has made companies more aware of the essence of the cost structure in order to maintain a competitive position. Nevertheless there are certain factors which a shipping company cannot control and in certain cases this depends on national policies i.e. the corporate income tax rate, a comprehensive social security systems and average net wages. In the EU these factors are relatively higher than other regions in the world and are experienced as a disadvantage.

In order to help pull the maritime industry through these difficult times some instruments where created as to make more breathing room for companies' active. The following chapter indicates why policies are made and what the decisive factors are when making them are.

2.2. Policies and the beginning hereof

Nowadays countries have come to realize that the maritime industry has created opportunities in which a nation could profit from. As shipping companies are more cost-conscientious, extra attention is put into the developing of policies. In almost all cases the instruments developed in the shipping tax models serves as protection measures, in order to retain and expand their current position within the shipping sector.

It is believed that these policies are not made necessarily based on rational thinking and deduction but are in fact thrust forward by economic interest (Li & Cheng, 2007). Therefore the making of policies which protect the national maritime industry is of utmost importance. According to studies done by to Li in 2007, they were able to identify three economic indicators which are taken into account when composing maritime policies. These three indicators are Balance of Payments (BOP), National Carriage Rate (NCR) and National seafarer Employment Rate (NSER).

Balance of Payments (BOP) is considered as the most important indicator off them all, given that in an international economic area a deficit or surplus will automatically cause a downturn or upturn in the country's economic activity (Li & Cheng, 2007). This observation provides us with the insights as to whether the maritime sector within a nation would choose for either a protective or liberal policy when creating them.

National Carriage Rate (NCR) portraits the balance of the national fleet in comparison with the trade volume it can transport. Formula 1 describes how this balance comes to be. This equation depicts that whenever NCR=1 it shows that the national fleet is getting a fair share of the total trade, creating a neutral standpoint when creating maritime policies.

Formula 1

$$\mathrm{NCR} = \frac{National\ Fleet\ (DWT)}{National\ Trade\ (TON)} \times \frac{World\ Total\ Trade\ (TON)}{World\ Total\ Fleet\ (DWT)}$$

In addition to these factors, Sturmey (1975) believes that one may only speak of a national maritime policy after it encourages and is able to some extend dictate about the employment of shipping. Thus hereby we can conclude that the employment rate of seafarers (NSER) is also a crucial factor when conceiving maritime policy. These indicators offers insight into what countries may need to modify as to get the desired effect. This could be either a protective or on the contrary liberal policies which will help within obtain the desired result (Li, 2007).

Goss & Marlow (1993) have come up with other reasons for the introduction of policies which are not directly named above. They believe that the following policies are put forth as a mean to protect and promote national maritime policies.

1. The infant industry argument
2. Import substitution in order to develop new industries in developing countries
3. Shipping capacity
4. Defense purposes
5. The need to be part of an international unit

However it needs to be noted that even though the making of policies are firmly engrave in the psyche of policy makers there are some that believe that the end for these policies making is near. In this day and age where globalization has become a key word, there is little room left for national protectiveness (Sletmo, 2001). This phenomena can be seen within the EU, where these individual countries still can create their own policy but the resemblance within their policies are extensive due to the fact they are making the utmost use of the EU guidelines and become replicates of each other.

Never minding the difference of opinions, the fact is that up to today there are still policies being made and mean to protect or to provide some competitive advantage to one's own maritime industry, thus this coming from policy maker's side. The following section will provide us with an insight on how these policies can be turned into options for ship owner.

2.3. Flagging possibilities

As abovementioned these policies are made on a national basis therefore they are all what different from each other with their own requirements and benefits, and that is something that ship owners definitely use to their advantage. As Michael Roe (2007) concluded that international shipping companies can increasingly migrate between maritime clusters to avoid unacceptable conditions and therefore create a footloose character in the sector. The main reason for looking for new national policies, and thus new flags, has to do with the fact that in these turbulent times ship owners are doing everything within their power to minimalize costs (Goulielmos, 1988). This decision is often paired with the switches of flags.

The reasoning behind choosing a flag has to do with the requirements, benefits, right and protection which come with it. “A flag demonstrates the allocation of a nationality to a vessel, and the assumption of exclusive jurisdiction and control by the state over the vessel (Ready, 1994). As Spruyt (1994) said “A flag, therefore, should carry with it the theoretically complete legal system of the originating state and should establish almost all relationships the vessel has with her crew and the outside world”. This clearly demonstrates that the choice bestowed upon a flag has more than just an economic reasoning behind it, such as political, legal and institutional factors (Stopford, 1988). Table 1 will give an overview of the different kinds of flags available with their benefits.

Table 1

Forms of registry	Benefits
National registry (Traditional)	• Different classification of strictness • National subsidies • Naval protection
Open registry (Flags of Convenience)	• Mostly fees instead of taxes • No labor requirements • Anonymity • Less controls
Hybrid registry	• Best of both world • Alternative to flagging out by nationals

National registry

This form of registry is the more closed form of them all. Depending on its strictness, the requirements for obtaining the right to sail under a flag are only entitled to ship owners who are a citizen or are living and have a valid permit within that country. To some extend it can even be required that the vessels sailing under this flag have to be built on national shipyards in order to qualify for this registry. On the

other hand an important advantage of being within a national registry is that ship owners can benefit from national subsidies and naval protection when needed (Roger, 2010).

Open registry (Flags of Convenience)

For open registry is the nationality of the ship owner not of importance when wanting to register a vessel. This registry suffices with a commercial reasoning (Roger, 2010). Open registries can be considered as tax heavens for their participants, the regularly generate income from annual fees and registration fees and not income taxes. Within some open States there are even guarantees for future tax relief or exemption hereof if several vessels were to be registered.

In additional, other advantages that can be gained from FOC is that there are no regulations regarding the crew nationalities, or the ratios hereof, and wages scale that needs to be followed, consequently lowering the costs for the ship owner. In addition when sailing under FOC shipping companies benefit from more anonymity and less regulatory control which on the other hand raises safety questions (Roger, 2010).

Hybrid registry

As a mean to diminish the fleet loss, States have created the Hybrid registry. This form of registry is a form which will need to attack the success from open registry. According to Roger (2010) this should be the ideal form considering that ship owner profit from national benefits as well as from open registries. “This form is normally used by national ship owner as an alternative to flagging out and as a way to compete with open registry system” Roger (2010). The creation of the hybrid version had to do with the need to reduce the flagging out phenomena that is why policy makers created it.

The Dutch registry and shipping policy

In the period prior to the introduction of the shipping policy in 1996 the shipping sector experienced a trend of ships flagging out and shipping companies relocating its activities abroad. Policy makers concluded that the Dutch national register was insufficient competitive for companies. A study conducted by Peeters (1994) indicated that the competitive position of a shipping company significantly is caused by the fiscal climate and the wage costs. Besides it shows that it is important to tie the shipping sector to the Netherlands in a sustainable way by creating an attractive business environment.

In order to create this competitive position policy-makers develop a new shipping policy which was introduced in 1996. The policy contains beneficial instruments regarding taxation aspects, labor aspects and maritime cluster aspects[3]. For the relevance of this research only the aspects regarding taxation are analyzed.

The main fiscal instrument that is put into action to revitalize the shipping industry is the tonnage tax, wage cost deduction and the depreciation regime. These tools are discussed in detail in the next chapter. Several organizations have researched the effects of the fiscal scheme in the shipping sector and came to the following conclusions.

The policy monitor of the shipping sector (2004) concludes that the introduction of the fiscal policy in 1996 has contributed to the increase of the Dutch fleet[4]. Though, after 2003 a decline in the fleet is observed. That is why, the following chapter will be dedicated to opinions of economists we do not agree with the making of policies.

2.4. No more policies?

As mentioned in the beginning of this chapter there are firm believers who think that policy making should be a thing of the past, considering that in our globalised world we are all intertwined with each other. Therefore by creating national policies we take away from other countries (Sletmo, 2001). On the other hand there are economist and studies who do not agree with these policies.

A quantitative analysis based on a time series analysis showed that there is no conclusive relation between the contribution of the fiscal instruments and the added value for the shipping sector and maritime cluster in the Netherlands[5]. This can be due to the fact that there is no effect and/or that the indicators being used were not of the best fit. Due to the uncertainty hereof one can not conclusively argue that the fiscal instruments are not effective. Nevertheless a qualitative analysis based on expert judgment and under shipping companies showed that the fiscal instruments are well known and effective in the sector[6]. Shipping companies consider the fiscal tools as indispensable in order to compete in the globalized market. Furthermore the group emphasizes that if these instruments were to

[3] Zeevaartbeleid 1996-2007, een evaluatie van overheidsbeleid
[4] Beleidsmonitor zeescheepvaart 2004
[5] Ecorys, *Kwantitatieve analyse fiscal reglingen zeescheepvaart*, 2007
[6] Ecorys, *Telefonische enquete reders inzake evaluatie ingezet fiscal stimuleringspakket zeevaart,* Rotterdam, 2007

be abolished this will probably lead to relocation of the business activities especially for larger shipping companies.

According to Goss and Marlow (1993) governments might be tempted to invest in shipping policies because they want to become maritime nations and enjoy the many spillovers that this could bring. But according to Nijdam (2007) theses benefits are limited. E.g. the income that these companies can bring up, is normally the registration fee, other than this it has a slight effect on the shipbuilding and seaport. One factor that *does* seem to thrive under these policies, in the Netherlands, is the fact that training and education within this industry is kept up.

2.5. Conclusion

To summarize companies can choose in general from three different sorts of flags under which to sail. Even though these forms already have differences, there is always a personal touch provided by national policies to these forms, because each country has created its own interpretation of these policies.

Even though seafarers have said that they believe that these policies is helping them stay afloat and keeping up their position, there are still some out there that believe that these policies focus too much on the national needs & want and do not see the full world economic picture. There are also some that believe that we distort the price mechanism and the resource allocation when we provide aid to shipping companies[7]. And yet there are still other who believe that the benefits for the state after implementing such policies are too small when compared to what is facilitate for these companies.

As mentioned above recently conducted International benchmark studies regarding the position of the Netherlands demonstrates that the Netherlands has lost its edge on the fiscal scheme due to the fact that other country have implemented more competitive fiscal schemes[8]. In order to analyze whether the Netherlands is still not fulfilling the EU benchmark standards, an empirical study will be conducted in the following chapters. Hereby the policies of selected countries are critically analyzed and are tested on a real case.

[7] Lord Weedon, A., 1999, Independent enquiry into Tonnage Tax, Report to the Chancellor of the Exchequer
[8] Verkeer en Waterstaat, *Internationale verkenning; Het zeescheepvaartbeleid in Belgie, Denemarken, Duitsland en het Verenigd Koninkrijk,* 2008

Chapter 3: Policy analysis

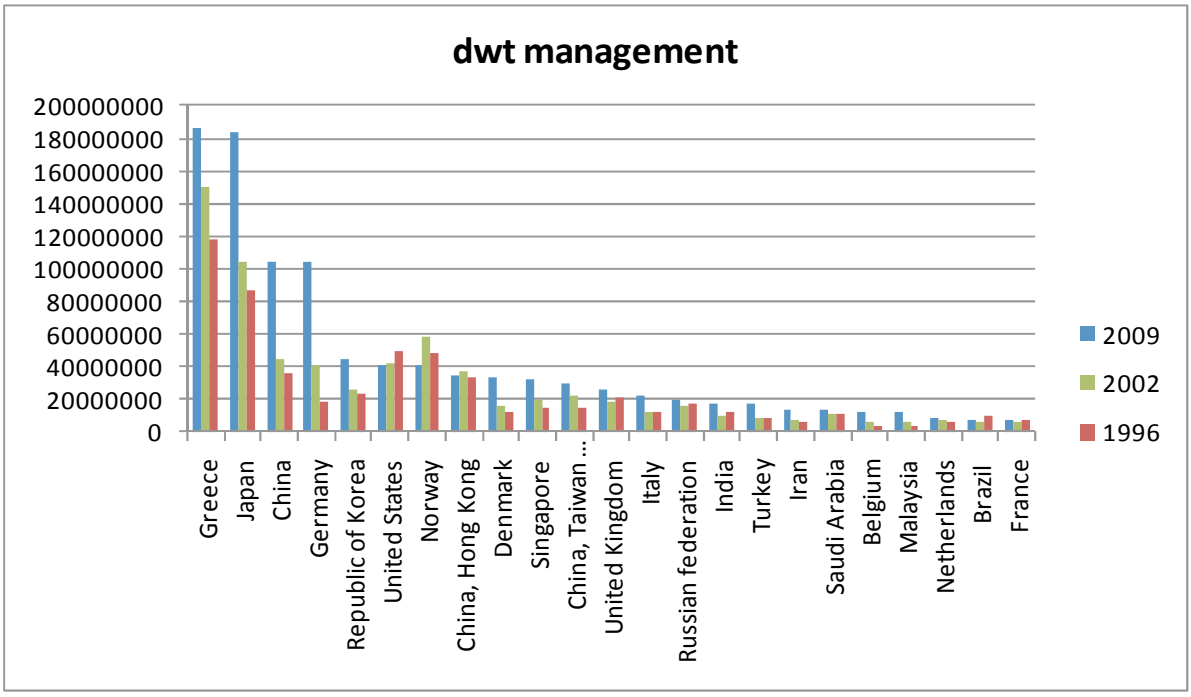
3.1. Introduction

This chapter will analyze the characteristics and requirement of shipping policies. The Dutch shipping policy is the central framework and is compared to several countries. The differences as well as the similarities are addressed and the position of the Netherlands is analyzed. The following section will start off with an overview of strong contenders within the shipping industry and hereof selections of countries are made for the analysis. These countries will be selected based on their performance over the last decades and reputation in the maritime sector.

3.2. World fleet

By the end of 2009 the top 3 of the top largest ship owning countries (in terms of dwt) consists of Greece, Japan and China. According to figure 1 Greece is the country with the largest controlled fleet with 15, 96% followed by maritime nation Japan with 15, 73% and with upcoming maritime nation China with proper distance 8, 96%. Altogether these countries controlled a fleet of approximately 40 per cent of the total fleet.

Figure 1: Countries with the largest controlled fleets (dwt)

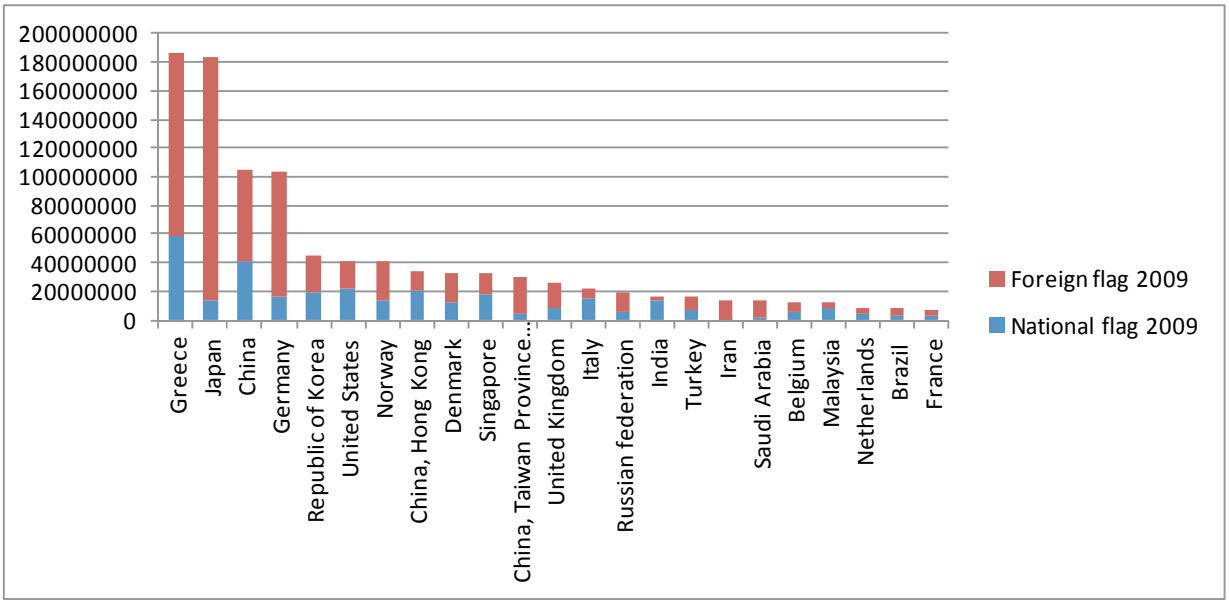


Source: Created with data from Unctad Review of Maritime Transport, 1997, 2003, 2010

Interesting aspect is the growth of China which has experienced one of the fastest growths compared to other maritime nations in dwt management in recent years. It is clear that the achieved growth of their economy is one of the factors for this trend. Another upcoming nation which is actively promoting its shipping policy is Singapore. Over the last few years this country has experienced an increase and it is expected to grow further[9]. While the Netherlands have shown steady development since the implementation of their shipping policy in 1996, Belgium on the other hand has experienced a relatively faster growth in the last decade. Also notably is the sharp decrease in the fleet of Norway, which after positioning the third position in 2002 of the largest ship-owning country, ranked seventh in 2009.

Figure 2 provides an impression of probably the most globalized business sector and the role of choice of a flag in the maritime business.

Figure 2 Countries with the largest controlled fleets (dwt), the role of a flag



Source: Created with data from Unctad Review of Maritime Transport, 2010

According to figure 2 it is notable that almost all countries in the list have control over ships that flies a foreign flag. For example in the case of Japan about 92 per cent of the controlled fleet flies a foreign flag. For Japan this has been the case for decades due to the expensive labor costs, rigidity of the market and due to the requirements of the flag labeled as an unattractive flag[10].

[9] According to mr. M. Dorsman director at the KVNR; interview held 14th June 2011
[10] According to Mr. Ishii manager at MOL liner shipping head quarter dep't, interview held 2nd March 2010

3.3. Selection of countries

Besides the Netherlands the following countries are being analyzed in this report.

1. Belgium;
2. Greece;
3. Singapore; and
4. Norway.

Analyzing the policy of Greece, the largest ship-owning country might give interesting results (figure 1). In the case of Norway the decline of the percentage of the total world feet makes this flag interesting to analyze while Singapore, as aforementioned is seen as an upcoming nation with an aggressive campaign. Finally, Belgium has experienced relatively growth since the implementation of their recently shipping policy.

Additionally, a study conducted by PWC (2007) concluded that regarding shipping policies three types of tonnage tax model are presented. These can be distinguished in the Dutch model, the Norwegian model and the Greek model. Recently, due to regulation changes in the tonnage tax of Norway, this regime is now classified under the Dutch model (PWC 2010). The countries selected, in exemption of Singapore, belong to one of the mentioned tonnage tax models. Singapore qualifies in the category of international register therefore enables a comparison with the “national” registries and “international” registries.

3.4 Introduction Fiscal Comparison[11]

In the following section the shipping fiscal systems of the selected countries described in the previous paragraph are discussed in detailed. The main goal of this international analysis is to describe the main differences of a fiscal shipping policy between the selected countries and the Netherlands. E.g. the requirements of the tonnage tax regime, the shipping wage regime, depreciation regime and other important shipping facilities are critically compared and possible advantages and disadvantages from the Dutch point of view are being addressed.

[11] A remark for this particular chapter is that the following information is obtained from current and valid legislation from each country, therefore clarifying the lack of referrals within this chapter.

One important aspect regarding the fiscal instruments implemented by European countries in the shipping policies is that these are subjected to the European law and are considered as state aid. Therefore before implementing a new legislation, clearance has to be obtained from the European Commission. The commission is responsible for guaranteeing a level playing field in the Union and that interests of other common nations are not put at a disadvantage (Selkou, 2002).

3.5. Tonnage tax scheme

The tonnage tax scheme is an essential element in today's shipping policy. The basic idea of this scheme is that tax payable is based on the size of the companies' fleets instead of the actual accounting profits from the exploitation of the vessel (PWC 2007). The size of the companies' fleet is measured by the ship's tonnage and the number of days the ship is operated or in control by the company. Therefore this scheme offers an alternative scheme to traditional corporation tax. C. Elschner (2010) discussed more in detailed the tonnage tax and observed three essential aspects.

1. The tonnage tax substantially modifies the taxable base;
2. Integrated in the corporate income tax which makes it only possible for incorporated firms or part of the individual and corporate income tax;
3. The implementation of this regime is comparable between countries worldwide and therefore allows researchers for a detailed comparison.

Especially the last aspect is relevant for this study since different tonnage tax policies are analyzed with the purpose to determine the Dutch position in an international perspective. In this study the main elements of the tonnage tax framework from the selected countries are analyzed.

3.6. Wage cost deduction

In a customary situation a ship-owner would be obligated to withhold tax from the wages of his employers and transfer this withheld amount to the Tax Authority. However in order to attract seafarers and reduce the cost of employment, policy makers added an interesting twist to this matter that is they provide of a reduction in wage taxation of seafarers. E.g. in case a ship-owner would be eligible to classify for this reduction he is not obligated by the state to remit the full wage withholding tax withheld. The ship-owner is allowed to keep the reduction percentage (set by policymakers) of the

wages paid to seafarers. In this case the reduction can be seen as a wage subsidy for the employer. However in some countries the wage subsidy is provided to the employee instead of the employer.

Another important factor which policymakers strive in achieving through this fiscal reduction is to keep the knowledge and know-how in the maritime cluster. The maximum aid allowed would be to incorporate the 0% scheme, thus meaning that there will be no wages withheld at any moment. However bear in mind that this would is the lowest percentage available, that in no case it would be allowed to provide ship-owner with a negative tax reduction because this would in effect be a subsidy. The extent of the maximum aid can be found in the Guidelines[12].

3.7. Depreciation regime

This facility enables shipping companies to apply for accelerated depreciation of the ships, instead of applying a depreciation rate based on the relevant years of the economic lifestyle of the asset which would normally be the case.

According to the state budget of 2011 of the Netherlands (see table 2) the tonnage tax system and the wage cost deduction are the main costs of the shipping fiscal policy. Therefore special attention is provided to these regimes.

Table 2 Fiscal expenditures in the Netherlands

	2010	2011	2012	2013	2014	2015
Tonnage tax regime	81	82	84	85	87	89
Wage cost deduction regime	100	101	103	104	106	107
Depreciation regime	3	3	4	4	4	4
Total	184	186	191	193	197	200

Source: Rijksoverheid state budget

[12] Community guidelines on state aid to maritime transport, COM (2004) 43, 13.3.2004

Chapter 4: Breaking down the countries

4.1 The Netherlands

The Dutch framework has served in many ways as a model for other countries since the Netherlands was one of the forerunners in implementing a modern shipping tax framework. Before implementing this tax scheme in 1996 the country encountered several negative trends in the maritime sector. Shipping activities were relocated abroad, ship-owners were flagging out and the sector was in decline (Selkou 2002). After notifying the European Commission and receiving the approval the Netherlands implemented a package of several shipping fiscal instruments in order to reverse the negative trends within their maritime sector. The package consist of a tonnage tax regime, wage cost deduction regime, depreciation regime and other fiscal facilities. In the next section these regime will be addressed individually.

4.1.1. Tonnage Tax

Since 1996 qualifying ship-owners are allow to determine their taxable profits in two different ways. The first option is based on the actual accounting profits while the second option is based on the tonnage tax system. In the latter regime the taxable profit is calculated on the basis of the net registered tonnage of the ships in operation. Nevertheless non-qualifying shipping activities are subject to the regular taxation rules which are based on the actual accounting profits. In general, taxable profits under the tonnage tax regime are significantly lower when compared to actual profits (PWC 2007).

The tonnage tax regime is applicable to qualifying shipping activities upon request only. In the Netherlands it is possible to discuss the business activities with the tax inspector in advance which enables the tax payer to be aware of the Dutch tax consequences and able to shape its accounting according to the ruling. The taxpayer can opt for the regime in the first year in which the ship-owner starts his Dutch shipping activities or after the 10th year. In case the tax payer opts for this regime, this choice is fixed for ten years (the so-called lock up period).

Qualifying activities

In order to qualify for this regime the following shipping activities must be met:

- The transportation of people or goods overseas in international traffic at sea;

- The transportation of goods or persons at sea for the exploitation or exploration of the natural resources at sea;
- The exploration of the sea bed;
- Tug- and rescue activities at sea for sea-going vessel;
- Cable laying and pipe laying operations;
- Tackle and lifting activities;
- Dredging services at sea.

In certain cases the Tax Department demands extra requirement for certain activities e.g. a ship that operates in the dredging sector is required to be exploited for more than 50% of its activities at sea.

Qualifying ownership/management activities

The ownership of a ship must qualify to the next conditions:

- The ship owner must (co-) own a sea-going vessel or hold such a ship in bareboat-charter;
- The ship owner may not charter out ships in bareboat himself;
- Chartered sea-going vessel on a time charter or voyage charter basis;
- The ship sails under the EU/EEA flag (EEA states include Iceland, Liechtenstein and Norway). However in the legislation there are certain criteria which allow new vessels added to the fleet to sail under other foreign flags i.e. the net tonnage of the companies' fleet flying an EU/ EEA flag has a minimum of 60% of the entire owned fleet; and
- The ship-owner must practice certain management activities with respect to the ship in the Netherlands.

With regard to the latter condition the Tax Department requires a shipping company to take care of at least 30% of the management of own vessels. In the legislation four types of management are distinguish:

- Strategic management, decisions regarding investments, disinvestments and other managerial activities;
- Commercial management, activities regarding chartering and carrying cargo;

- Technical/nautical management, activities to keep the ship in actual operation; and
- Crew management, hiring and setting to work of seafarers.

In addition the Tax Department also requires that at the least the strategic and a part of the commercial management activities should be coordinated by the Netherlands. In respect to this matter the legislation aims to attract head quarters to the market in order to increase the added value in the long run. If only the technical or only the crewing management is done from the Netherlands, the company is not allowed to opt for this system. However if a company do not owns a vessel but have a combination of the latter two forms of management, it may apply for the system.

Calculation of the taxable profit

If a shipping company applies the tonnage tax regime, the taxable profit of the company for the qualifying shipping activities is established in table 4

Table 4 Dutch tonnage tax tariff

Income per day per 1,000 net tons (€)	Total net tonnage
9.08	up to 1,000
6.81	1,001 - 10,000
4.54	10,001 - 25,000
2.27	25,001 - 50,000
0.5	over 50,000

Source: Dutch Tax Law, determination of the profit based on tonnage tax

In order to make the tax scheme more competitive, a new tariff is added into the scheme in 2009. This is applicable for sea-going vessels with a net tonnage over 50,000 and is focused for the largest vessels. The calculated tonnage tax profit is taxed with corporate income tax at a rate of 20% for the first € 200.000 and 25,5% for the excess (fiscal year 2010). One point of attention is that under this tonnage tax system the ship-owner will have to pay taxes even when the company is making losses. Therefore such a regime also has its risks. The next sample calculates the taxable base and tax according to the Dutch tonnage tax for a 2 year old container vessel operational all year, meeting the management activities in the Netherlands and with a net tonnage of 24,000 ton.

Taxable base: 1 * € 9.08 + 9 * € 6.81 + 14 * € 4.54 = € 133.93 per day multiplying by 365 days =

€ 48,884. Since this amount is lower than the limit of € 200,000 the lower corporate tax rate of 20% will be levied. The tax levied amounts to € 48,884 * 20% = € 9,777.

4.1.2. Wage cost deduction regime

Another advantage provided to ship-owners in order to attract their shipping activities to the Netherlands is the wage cost deduction regime. This deduction is applicable for vessels that only sail under the Dutch flag and operates specifically at sea in international traffic. Employers receive a tax deduction to 40% of gross wages for Dutch residents and for non-Dutch, EU or EEA residents. For non-EEA residents a limited deduction of 10% of the wages is applicable. Besides the stricter flag-requirement with respect to the tonnage tax, also the qualifying activities which are allow to opt for this system are to a lower extent. The following activities are excluded from this system.

- Pilotage services;
- Tugboats used in harbors;
- Certain dredging vessels;
- Sailing boats; and
- Fishing boats.

4.1.3. Depreciation regime

In general, ships are depreciated on a straight-lie basis over the economic life to residual value at the end of its cycle. However, for sea going vessel there are two more beneficial depreciation methods available namely:

- Declining book value;
- Accelerated depreciation at a rate of 20% per annum provided that there is a positive income.

Since these facilities are not frequently used in practice[13] these depreciation methods will not be further discussed. However a more interesting depreciation method to analyze would be the temporarily advanced depreciation facility. The government implemented a temporarily crisis measure, allowing companies which do not opt for the tonnage tax system to depreciate certain assets purchased or

[13] According to Mr. R.J. Boogaard tax inspector at the Tax Authority Rotterdam; interview held 6th June 2011

produced in 2009 at a maximum depreciation rate of 50% per annum. This measure is applicable in the period 2009-2011 and is serve to stimulate investments in shipping assets. In the explanation of this method it is stated that if an investment through a ship partnership is realized, the participant is able to achieve a higher fiscal benefit than the own investment (when applying the 52% tariff)[14].

4.2 Belgium

As of the case of The Netherlands, Belgium also encountered a period in which ships flagged out and activities were shifted to other countries. Before introducing a fiscal policy a majority of the Belgium fleet was established in the register of Luxemburg[15]. In order to reflag these ships and strengthen its maritime cluster, just as the Dutch shipping policy, a package of fiscal instruments were implemented in 2003 consisting of a tonnage tax regime, wage cost deduction regime and depreciation regime. Next, these regimes will be described and the main conditions are clarified.

4.2.1. Tonnage tax regime

As already mentioned the tonnage tax regime was introduced in 2003 and the calculation and conditions resembles the Dutch tonnage tax system. In this system shipping companies, under certain conditions, are allow to determine their taxable profits in two different ways. Unlike the Dutch system, opting for the Belgium scheme can take place at any moment. This makes it possible to optimize the optimal fiscal position and plan the ideal moment to enter this regime. Furthermore a shipping company is also allowed to make use of other attractive shipping fiscal facilities which are intended for companies not opting for the tonnage tax scheme. The tax payer is also free to make use of the possibility to obtain a ruling from the tax inspector. In case the shipping company opts for this regime, this choice is fixed for ten years (the so-called lock up period).

Qualifying activities

Besides the main condition of transporting goods or persons in international traffic to qualifying for this regime, also the following certain needs to be met.

[14] Explanation of the functioning of this method on the site of the Tax Authority, www.belastingdienst.nl
[15] Study conducted by the Ministry of Verkeer en Waterstaat regarding International analysis of the shipping policy in Belgium, Denmark, Germany and UK

- The transportation of goods or persons at sea for the exploitation or exploration of the natural resources at sea;
- Rescue activities and performance of assistance at sea for sea-going vessel;
- Towage activities;
- Dredging services at sea.

Profit obtained from operations of towage and dredging activities are only allowed if more than 50% of the total business activities are corresponded to these activities.

Qualifying ownership/management activities

In order to benefit from the Belgian tonnage tax regime the ownership of a ship must qualify to the next conditions:

- The ship owner must (co-) own a sea-going vessel or hold such a ship in bareboat-charter;
- The ship owner may not charter out ships in bareboat himself;
- Chartered sea-going vessel on a time charter or voyage charter basis;
- The ship sails under the EU/EEA flag; and
- The ship-owner must practice certain management activities with respect to the ship in the Netherlands.

The Tax Department requires in respect to management activities that at least 30% of the management of own vessels. In the legislation three types of management are distinguish:

- Strategic management and commercial management, decisions regarding agreements of a ship , keeping the accounts, fulfilling administrative formalities;
- Technical management, activities to keep the ship in actual operation; and
- Crew management, hiring and setting to work of seafarers.

In addition the Tax Department pointed out that implementing separately one of the above mentioned management activities is not sufficient to opt for this regime. A combination of the management activities is required to fulfill this requisite.

Calculation of the taxable profit

In case a shipping company opts for the tonnage tax regime, the taxable profit of the company for the qualifying shipping activities is established using table 5:

Table 5 Belgian tonnage tax tariff

Income per day per 1,000 net tons (€)	Total net tonnage
10	up to 1,000
6	1,001 - 10,000
4	10,001 - 20,000
2	20,001 - 40,000
0.5	over 40,000

Source: Belgian Tax Law, determination of the profit based on tonnage tax

The last tariff for vessels is only applicable for mainly recently (newly) built seagoing vessels. After conducting the tariff per day and multiplying this by the sailing days per year, this amount is subjected to the current Belgian corporate tax rate of 33,99%. Since the calculation of the taxable profit in the Belgian tonnage tax model is similar as the Dutch model, no specific example case is provided.

4.2.2. Wage cost deduction

In Belgium an employer active in the shipping sector is not required to pay the withholding tax on the income levied on EEA resident seafarer wages. For the shipping company this results in a saving of the withholding tax. Other compensation in the wage tax for EU shipping companies opting for the Belgian register is the exemption of payment from employer's social security contributions and from partial exemption of employee's social security contributions. These facilities are a clear example of using the maximum support level of the state guidelines as a strategy[16]. In these guidelines it is stated that the maximum support level for wage tax and social securities is a nil tariff.

[16] Commission Guidelines regarding State Aid in the shipping sector, COM (2004) 43, 13.3.2004

4.2.3. Depreciation regime

This regime acts as an alternative regime for the depreciation of ships on a straight-line basis over the economic life. However, for sea going vessel there are two more beneficial depreciation methods available namely:

- Declining book value;
- Accelerated depreciation at straight-line rates. The rates are shown in table 6.

Table 6 Belgian accelerated depreciation

Type of ship	Year 1	Year 2	Year 3	Subsequent years
New built seagoing vessel	20%	15%	15%	10%
2nd hand vessel opting first time for the register	20%	15%	15%	10%
Other 2nd hand vessel	10%	10%	10%	10%

Source: Belgian Tax Law

4.2.4. Other tax facilities

Interesting aspects regarding other facilities provided in the Belgian alternative regime are the exemption of capital gains and interest gained on liquidity reservations. If certain conditions are met the regime provides a deferred taxation of the realized capital gains on seagoing vessel.

4.3 Norway

Shipping is traditionally an important segment for Norway, in 2009 shipping was Norway's second most important export industry (ECSA 2010). Norway also implemented an alternative tax scheme for this sector in order to maintain a strong core of shipping industry associated to Norway. The first tax scheme was introduced in 1996, in the same year the Dutch scheme was introduced, and is based on the EU guidelines. Until 2007 this regime was categorized as the Norwegian tax model (PWC 2008) however in 2007 a new shipping tax was introduced which brings the Norwegian model more in line with the European model and since then - due to its similarities - this regime is categorized under the Dutch model (PWC 2009).

4.3.1. Tonnage tax regime

The shift to a more European based system implies that, except for a tonnage tax to be paid, income derived from shipping activities will be tax exempt on a permanent basis (PWC 2008). In other words the taxation of the operating profits is now depending on the size of the fleet instead of the results as it was implemented in the previous model.

In case the tax payer meets the conditions for entering the tonnage tax regime, he is able to opt at any moment for the regime and since 2007 the company is now obligated to stay inside the regime for a period of 10 years (the so-called lock-up period).

Qualifying activities

In order to qualify for this regime the following shipping activities must be met:

- The transportation of people or goods overseas in international traffic at sea;
- The transportation of goods or persons at sea for the exploitation or exploration of the natural resources at sea;
- Tug- and rescue activities at sea for sea-going vessel (i.e. platform supply vessels);
- Cable laying and pipe laying operations;
- Tackle and lifting activities;
- Dredging services at sea.

One important aspect of this regime is the fact that qualifying companies are only allowed to have certain assets (i.e. new building contracts) inside the model and are not allowed to perform other non-qualifying activities. If the company does not fulfill this requirement, the company could be taxed at ordinary rates.

Qualifying ownership/management activities

The ownership of a ship must qualify to the next conditions:

- The ship owner must (co-) own a sea-going vessel or hold such a ship in bareboat-charter;
- The ship owner may not charter out ships in bareboat himself;

- Chartered sea-going vessel on a time charter or voyage charter basis;
- The ship sails under the EEA flag. However in the legislation there is a criteria which allow new vessels added to the fleet to sail under other foreign flags; the net tonnage of the companies' fleet flying an EEA flag has a minimum of 60% of the entire owned fleet; and
- The ship-owner must practice certain management activities with respect to the ship in Norway and the company must be incorporated under the Norwegian Law.

Since the new legislation is introduced the Tax Department requires that certain management activities be included when applying for the regime. In the legislation two types of management are distinguish:

- Strategic and commercial management, decisions regarding agreements of a ship , keeping the accounts, fulfilling administrative formalities;
- Technical management, activities to keep the ship in actual operation.

Calculation of the taxable profit

In case a shipping company opts for the tonnage tax regime, the taxable profit of the company for the qualifying shipping activities is established using table 7:

Table 7 Norwegian tonnage tax tariff

Income per day per 1,000 net tons (€)	Total net tonnage
0	up to 1,000
2.22	1,001 - 10,000
1.48	10,001 - 25,000
0,74	over 25,000

Source: Norwegian Tax Law, determination of the profit based on tonnage tax

After conducting the tariff per day and multiplying this by the sailing days per year, this amount is subjected to the ordinary corporate tax rate of 28%. Since the calculation of the taxable profit in the Norwegian tonnage tax model is similar as the Dutch model, no specific example case is presented. In case a company subject to tonnage taxation fulfills certain environmental conditions, the company might qualify for marginal reductions in tonnage tax (Ernst & Young 2011).

4.3.2. Wage cost deduction regime

As in the case of the other countries in the Dutch model in the legislation a seafarer's allowance on the income before tax is calculated and amounts to 30% (subjected to a maximum of € 22,200). Furthermore this deduction is only applicable for seafarers living in Norway.

4.3.3. Depreciation regime

Regarding the depreciation regime no specific exemption is included for the shipping business in the law. In the law it is stated that for ships, vessels, rigs etc. a maximum tax depreciation rate of 14% is allow. Therefore the asset can be depreciated in a maximum of 7 years.

4.4 Greece

Greece has a long history with shipping business and is recognized as a truly maritime nation. Its shipping sector is one of the most vibrant sectors of the Greek economy and in 2009 it was the only economic sector in Greece which did not experienced an increase in their unemployment rate (ECSA annual report 2009-2010). Moreover this maritime nation has its own specialized Ministry in charge of all issues related to merchant marine (PWC 2007). This department is not only responsible to ensure preservation and development of the shipping business but also to create a link with other economy sectors. This nation has also a favorable tax framework specialized for shipping companies which is developed to maintain and improve their position as a world leader in this particular sector.

4.4.1. Tonnage tax regime

Greece is the first country applying a tonnage tax in the EU (Marlow et. al 2008). Unlike the Dutch and Belgian tax framework this system is not elective for tax payers since it is the only tax imposed for ship-owners opting for the Greek flag. Another difference is the calculation of the taxable base in this regime. According to the Greek system in first instance the taxable gross tonnage must be computed by multiplying coefficient rates by different scale of GT tonnage. Since the age of ship also influences the taxable base, the taxable tonnage is multiplied by an age rate.

Qualifying ownership/management activities

The system is only applicable to vessels registered under the Greek flag disregarding the residence or place of business. Additional requirement in order to enter the Greek registry is that more than 50% of the shareholders (individuals or companies) of the ship must have an EU nationality (Ernst & Young 2011). This also implies that if a ship flying non-Greece flag, the Tax Department of Greece does not have any taxing rights. The regime does not make any distinction in the shipping activities and covers all activities in the regime and sort of vessels.

Calculation of the taxable profit

Depending on their characteristics, ships are classified into two categories. Since the characteristics of category A is in line with other examined regimes in this study, only this category will be described. This category includes among others, tankers, freighters and refrigerators with a gross registered tonnage of 3,000 tons of more. Passenger vessels and drilling platforms are also included in the regime. The taxable gross tonnage is first calculated by the following multiplying coefficients.

Table 8 Greek multiplying coefficients

Gross registered tonnage	coefficient
100 - 10,000	1.2
10,001 - 20,000	1.1
20,001 - 40,000	1.0
40,001 - 80,000	0.9
over 80,001	0.8

Source: Greek Tax Law

Hereafter the amount is multiplied by the respective tax rate corresponding to the age of the sea-going vessel illustrated in table 9

Table 9 Greek tax rate

Age of the vessel	Rates for vessels in category A (€)
0 - 4 years	0.27
5 - 9 years	0.49
10 - 19 years	0.48
20 - 29 years	0.45
over 30	0.35

Source: Greek Tax Law

For the larger vessels the tax is further reduced by 50% for the scale between GRT 40,001 – 80,000, and for the largest vessel a discount of 75% is provided. The next example will clarify this model. In a case with a 2 year old container vessel operational all year with a gross tonnage of 26,000 the next calculation is applicable. Taxable tonnage: 10,000 * 1.2 + 10,000 * 1.1 + 6,000 * 1.0 = 29,000. Multiplying this amount with the corresponding age rate results in a payable corporate tax of: 29,000 * € 0.28 = € 8,120.

4.4.2. Wage cost deduction regime

As already mentioned the only tax applicable for shipping companies is tonnage tax therefore the question of deductibility of seafarers' wages is not relevant for shipping companies. Nevertheless for this sector employees enjoy a lower income tax rate which is 3% for the higher crew and 1% for lower crew (Ernst & Young 2011). However in terms of manning issues this regime required certain conditions needs to be met. The Greek legislation determines the minimum of Greek sailors in the crew structure. Depending on the type of vessel the nationality restriction amounts to approximately 30 - 40% of seafarers (Marlow et. al 2008). However since the shipping sector operates in a globally business, nationality restrictions might works counterproductive. Therefore Greek policy makers implemented two exemptions. First, if the skills required is not available under de Greek working population and secondly if Greek seafarers demand certain conditions which are not in line with the provision in force (Ernst & Young 2011). The inflexibility of hiring third-country nationals might distorts the size of the wages, resulting in a possible increase in the operational costs of the Greek vessel.

4.4.3. Depreciation regime

Regarding the depreciation regime no specific exemption is included in the law. However as aforementioned above shipping companies are only subjected to the tonnage tax therefore the regime of depreciation will not have any effect on the taxable base. This is only relevant for actual accounting profits which the methods of straight-line or the decline balance method are applicable.

4.4.4. Other tax facilities

This regime also exempt payment of tax from capital gains from the sale of assets or from dividends received. In the legislation also a remarkable incentive is provided for shipping companies. If a vessel

opts for the Greek flag and is built in Greek shipyards for the first six years of existence no tonnage tax is levied.

4.5 Singapore

Singapore has grown over time as a global hub and an international maritime centre. Singapore not only registers the largest container throughput and ranks as one of the busiest ports but also due to its geographical location Singapore fulfill as a major transshipment hub in the most important trade lines. From the introduction of a new shipping policy in 1967 until late 70s Singapore was categorized as a flag of convenience country as its policy was mainly focused on the quantitative growth of its merchant fleet (Phang 1994). Though in order to take distance from the reputation of flag of conveniences, Singapore tightened its maritime standards as well as ownership disclosures rules and required a foreign ship-owner to establish a company in Singapore. The new direction of policymakers was aimed to provide incentives for international shipping companies to use Singapore as a base for their maritime operations. The standards of the shipping policy of Singapore were qualified in the 90s as a "quasi-flag of convenience" but the nowadays it is characterize as an international register (Tenold 2002).

4.5.1. Tonnage tax regime

In general a ship-owner of Singapore registered ships is exempt from tax on income derived from the operation or chartering of a vessel in international traffic. This exemption is only met for citizens or permanent residents and companies located in Singapore and are not restricted to an expiry date and lock-up periods as it's applicable for European shipping policies. Since Singapore is the number one builder of oil rigs worldwide (PWC 2008) this shipping policy also include offshore industry mobile units in order to maintain this leading position. All sorts of accommodations and services relating to the sector of oil rigs classifies for the exemption.

For resident shipping companies which own or operate foreign flagged ships also a beneficial scheme is developed namely The Approved International Shipping Incentive (AIS). In order to qualify for this scheme certain conditions are required as i.e. must have a certain minimum level of control and management spending in Singapore and other quantitative conditions. Initially the exemption is valid until 10 years with the option of extension to the maximum period of 30 years.

Besides the fees for the ordinary registration (€ 1.46 per net ton with a maximum of € 29,000 for 20,000 net tonnages) annual tonnage tax has to be pay to the Tax department. This amounts to € 0.12 per net ton with a corresponding minimum of € 729 (500NT) and a maximum of € 5,800 (50,000 net tonnages). In order to encourage the reflagging of foreign ships under the Singapore flag a volume discount for ship registration fees was introduced. If a ship-owner meets certain conditions and decide to reflag his fleet a more beneficial scheme is applicable.

4.5.2. Wage cost deduction regime

Unlike a majority of European shipping policies where strict nationality of the crew is required, Singapore has no restriction on the nationality of the crew on board. It is only necessary that certain international standards as it is prescribed by the ILO are met (Ernst and Young 2011). The income of crew members on Singapore ships are exempt from tax in case the employment is considerably outside Singapore. On the other hand if the seafarer meets the conditions of a Singapore citizen the income might be subjected to Singapore tax.

4.5.3. Depreciation regime

Regarding the depreciation regime an accelerated depreciation allowances is installed, not exceeding 50% annually of a fixed asset. This enables the shipping company to depreciate its new asset in two years and create liquidity in a short term.

4.5.4. Other tax facilities

The shipping policy of Singapore also covers other activities which are not categorized as international traffic activities. For example gains arising from selling ships are tax-exempt, foreign exchange gains, leasing income and also exemption for gains arising from ship financing. These facilities are developed in order to create an international maritime centre providing several services in the cluster.

4.6. Conclusion

The previous sections entail an overview of shipping tax policies used nowadays by different countries. Countries have come to realize that the maritime industry has created opportunities from which an entire nation could profit from. It has been proven that the maritime sector in Europe has been one of the reasons for achieving economic growth and the possibility to become such a strong contender within the shipping trade world (Li & Cheng, 2007). For this reason countries are now creating their own shipping tax models, as a protection method, in order to retain and expand their current position within the shipping sector.

However in order to preserve a fair playing field, countries in the EU have come together to set up rules and legislation when it comes to their fiscal tools. These rules stipulates that if nations are providing their shipping industry with benefiting fiscal tools which ultimately provides them with a competitive advantage, that this should be considered as State aid and as such should be forbidden from further happening. It is the task of the European Commission to make sure that there is a level playing field for all its nations and contains the situation whenever there are boundaries being overstepped which create unfair competitive advantages. These rules and legislations are binding for the all European countries within the EU, and therefore obliging by these rules would be considered mandatory. Countries tend to compose their shipping policies on the border to what is categorized as state aid. The bottom border is more or less determined.

The previous studies presented in this chapter provide an overview of five counties and their tax system and tools. The goal of this study is to put the Dutch position within the shipping industry into perspective when compared to foreign countries. This comparison is made by looking at numerous fiscal instruments such as tonnage regime and wage cost regime. The study will not render conclusive evidence for the position of the Netherlands within this industry; however it should be viewed as a mean of providing insight in the general shipping industry and to observe whether the Netherlands is still competitive. Belgium, Norway, Greece and Singapore are some of the most important nations when it comes to controlling the largest controlled fleet in terms of DWT. Additionally; they have experience of having specialized tax regimes within their individual systems.

Implications that can be deduced from the study are that; in general European countries tend to use national registers while Singapore exploits an international register[17]. Additionally it has become obvious that among the European countries there are two different models applicable, which are the Dutch and Greek models. Traces of the Dutch model can be depicted in countries such as the Netherlands, Belgium and Norway. Whereas as Greece would favor the Greek model. The main difference between in these two model lies within the calculation scheme of the owed taxable income within the tonnage regime.

Tonnage tax regime comparison

With respect to the tonnage tax regime the countries categorized under the Dutch model are more or less the same i.e. the EU/EEA flag requirement, the lock-up period and computing the taxable profit base. However there are also certain aspects in which the Netherlands has a competitive advantage. The possibility to obtain a ruling from the tax inspector as well as the broad range of shipping activities which might apply for the regime are perceived as positive. An indirect factor which also influences the results of the taxable profit base is the ordinary corporate income tax rate. This should also be taken into account when opting for a regime; in the case of the Netherlands this amounts to 20% which is relatively lower compared to other countries.

When analyzing the Greek model to the Dutch model the next conclusions can be made. It is clear that the reputation of Greece as a truly maritime nation is also translated in their shipping tax policy. Unlike the Dutch regime the Greek tonnage tax is the only tax imposed on ship-owners. Furthermore this regime covers a broader range of shipping activities eligible for the regime and it does not required inclusion of certain management activities in Greece. The fact that a discount on the calculated taxable profit base is provided for larger vessel might also attract tankers or LNG's to this regime. However the fact that only the Greek flag is eligible instead of an EEA flag might be seen as a disadvantage.

Interesting aspect of the tonnage tax regime in Singapore is the fact that this model is basically based on the Dutch model but with fewer restrictions. Therefore this regime can be regarded as a model with features of a national register as well as features of an open register. With the aspiration of becoming an international maritime centre the tonnage tax regime provides a broader range of shipping activities

[17] With the exception of Norway which has implemented a national register (NOR) and an international register (NIS)

than the Netherlands. Besides the maritime transportation activities this framework also includes activities related to the offshore industry and other non maritime transportation activities i.e. gains arising from ship financing, making this framework more competitive than the other analyzed regimes. Furthermore in Singapore the tax authority only levied an annual tonnage fee based on the net tonnage.

Wage deprecation cost regime comparison

Another tax tool which is used in order to be an attractive shipping location is used in the sphere of wage tax. As it is stated in the Community guidelines EU member states might implement reduced rates of contributions for social security or deductions in the income tax rates for seafarers[18]. The analysis of this instrument shows that countries make use of this sort of state aid whether by a wage subsidy provided to the employer or to the employee. The reasoning behind this instrument is to attract seafarers, create a competitive position against low wage cost in other parts of the world (e.g. Asia) and to keep knowledge and know-how in the cluster.

A critical analysis of the wage cost regime in the Dutch model shows that there are more differences than similarities between the analyzed countries. As a truly European model all of the three countries require an EEA flag in order to be eligible for this scheme. Although in these countries the wage subsidy in all cases is provided to the employer there are still differences in the amount of the subsidy. From these countries Belgium makes use of the optimal deduction prescribed in the guidelines since this framework does not required an employer to pay the withholding tax on the income levied on seafarer wages and also provide full exemption from the employer's social security contributions. Besides this also partial exemption from employee's social security contributions is applicable. Regarding the activities allowed in this scheme the legislation in the Netherlands is stricter than Belgium and Norway.

An analysis of the Greek scheme and of the Netherlands yields the following remarks. In terms of tariff discount, it is clear that Greece has a more competitive scheme since the only tax applicable for shipping companies is tonnage tax. The low effective income tax rate for Greek seafarers is also an advantage. However in terms of manning and nationality the Greek scheme appears to be less flexible than the Netherlands. Whereas in the Netherlands all sea-going vessels flying under an EEA flag are allowed to

[18] Community guidelines on state aid to maritime transport, COM (2004) 43, 13.3.2004

enter the scheme in Greece only the Greek flag is allowed. Furthermore the fact that restrictions are implemented regarding the Greece nationality makes this scheme inflexible in a global environment where shipping companies are cost-conscious and advocate flexible manning regulations.

Examining the scheme of Singapore shows that in contrast to the Netherlands no requirement of nationality or flag is implemented. Also the broad range of activities which qualify for this scheme is more beneficial for shipping companies active in this sector. To conclude, this study shows also that shipping companies applying for this scheme enjoys a greater benefit than the rest of analyzed schemes due to its less restrictions and flexibility.

It is clear that on this particular instrument the Netherlands has lose its edge and other countries are providing better alternatives. As nowadays shipping companies are seeking to minimize its labor cost this might negatively influence the Dutch position. More critical is however the fact that a country might lose the knowledge and know-how in the cluster when the demand for Dutch crew decline and more foreigners are hired.

Deprecation regime comparison

Analyzing the last fiscal instrument tool in this study shows that only the Netherlands Belgium and Singapore has a favorable depreciation regime for shipping companies who are eligible but did not opt for the tonnage tax regime. The advanced depreciation facility in the Netherlands (temporarily measure) and Singapore allows a company to depreciate its new asset in a minimum period of two years. In difficult economical times where liquidity is essential this temporarily measure has an advantage over the Belgium regime where the asset can be depreciated in 8 years. Even though Norway has no specific exemption its depreciation regime is likely of the Belgian method since the asset can be depreciated in a maximum of 7 years. Since in Greece shipping companies are only subjected to the tonnage tax the depreciation regime will not have any influence on the taxable base and is not relevant for tax payers.

This chapter entailed an overview of aspects on which maritime countries could possibly create theoretical advantages for themselves. The following section will depict these fiscal differences through a real case analysis for each country.

Chapter 5 the effects of the shipping tax policy

5.1. Introduction

In the previous chapter a qualitative benchmark was performed where the shipping tax policy of five maritime nations in detail is discussed. Through an analysis the similarities and differences of the different type of policy were set out. In order to examine the effects of these policies in practice a quantitative benchmark might demonstrate these results. In this chapter this will be put to test through a representative case of a shipping company. Consequently, conclusions are provided whether this company should reconsider to relocate its business activities.

For this case the sailing schedule of a company active in the shipping and steel sector in the Netherlands will be tested according to the presented policies in the previous chapter of the tonnage tax regime. As all selected countries have implemented such a regime, this case will be also computed in their fiscal regimes creating the possibility to achieve an insight to the level playing field. Moreover conclusions will be provided as to where company's business activities should be relocated according to the five shipping tax regimes.

In the appendix the calculation of the regimes are included while in this chapter only the results will be provided. During the preparation of the analysis the following assumptions has been considered:

1. The test is conducted according to the tax policies of 2010;
2. It is assumed that the fleet composition meets the conditions of the current policy. This is relevant in order to make a comparison between the policies. For instance the different flag requirements included in the different models;
3. In order to analyze the effectiveness of this fiscal instrument, the payable tonnage tax will be compared to the operating result before corporate income taxes as it is stated in the (consolidated) annual report;
4. For comparative reason, the registration fee incurred by Singapore State is not included.

In table 10 the results of the case are presented.

Table 10 the effects of the shipping policy

	Taxable amount / tonnage	Tonnage taxes	% of profit
Singapore	NA	€ 8,030	0.37%
Norway	€ 45,407	€ 12,714	0.58%
Netherlands	€ 172,820	€ 34,564	1.59%
Belgium	€ 159,637	€ 44,488	2.04%
Greece	160,031	€ 68,525	3.15%

Several conclusions can be deducted based on the case. Firstly, as discussed in the previous chapters, one of the reasoning of introducing a tonnage tax scheme is the low (corporate) income tax levied on companies. This case confirmed this reasoning since for the five regimes the (corporate) income tax rate fluctuates between 0.37% - 3.15% of the operating result before taxes. E.G. if this particular company does not apply for a tonnage regime in the Netherlands, the company is obligated to pay the ordinary corporate income tax rate of 20% - 25%. This low ship owner's tax burden allows shipping companies to be more competitive on a global basis.

Secondly, when analyzing the effects on the payable tonnage tax - as expected - Singapore provides the most attractive regime. As pointed out in the previous chapter Singapore's shipping tax scheme provides several benefits including a competitive tonnage tax regime. With a percentage of 0.37% of the operating result before taxes, this system is about 3% lower than the regime of Greece with the highest payable tonnage tax. In the first instance one might be surprised for the low ranking of Greece, since this country profiled itself as a real maritime nation with several benefits for its maritime industry. Possible explanation for this low ranking might be the age factor included in the model. With an average age of 10 years of the fleet, this company encounters the second highest age rate in the scheme. Younger registered vessels might be associated with benefits from the taxation system. Another possible factor for this position is the size of fleet. With an average size of 18,596 GT, these vessels are not eligible for the discount of 50% - 75% provided for vessels with a size of 40,000 GT and more.

Further, it is clearly that the Netherlands lies in the middle of these rankings with a payable tonnage tax of 1,59% of the operating results before taxes. Interest aspect regarding the Dutch position is that even

though the Netherlands has the highest taxable amount compared to the other countries which adopted the “Dutch model”, still the Netherlands achieved a better competitive position than Belgium. Despite the fact that the taxable amount is calculated in the exact manner, the factor of the ordinary income tax rate also affects the total payable tonnage tax. In this case the corporate income tax rate in the Netherlands has positively influenced the outcome as opposed to Belgium. In the Netherlands a corporate income tax rate of 20% is applicable while in Belgium a corporate income tax rate of 24,98% - 35,54% is effective. Therefore this is an important factor which might also influence the tax position when analyzing the different policies and in the decision making process of a company. This also implies that policy makers shall also focused on the corporate income tax as a whole and provide different tax tools (e.g. in the Netherlands the participation exemption and fiscal unity are high rated tools) in order to attract business to their national country. Most of the time a single entity does not run the business by itself but through a structure of different entities where also other fiscal tools regardless tonnage tax are important.

When it comes to the question whether this particular shipping company might consider relocating the following aspects are relevant. Based on the size fleet and the assumption that the tonnage tax regime the only relevant factor is for the decision-taking process, one can argue that there is no urgency to relocate. Despite the middle ranking of the Netherlands, with an effective tax rate of 1,59%, this is still a very low effective rate and creates liquidity advantage for the entity. Besides the difference of approximately 1% with the other two higher in the ranking maritime nations (Singapore and Norway), this is not conclusive to implement such a strategic decision. It would not be a rational decision to move the shipping activities to another country in order to achieve this small advantage.

5.2 Interest income

Since the quantitative results are more or less similar, in this case the qualitative conditions might be a more decisive factor which might influence the decision taking process. As already concluded in the previous chapter in order to preserve a fair playing field, countries in the EU have come together to set up rules and legislation when it comes to their fiscal tools. It is showed that there are several similarities and also some differences. One of the differences which might yield a different output in this case is the factor interest income. Especially for the Dutch situation this might negatively influence the result since the interest income on liquidity reserve is basically not subjected to the tonnage tax regime and should

be taxed at the ordinary corporate income tax rate of 20%. This is also applicable for shipping companies which opt for the tonnage regime of Norway. For the other three maritime nations the interest income on liquidity reserve is part of the tonnage regime. According to the (consolidated) annual report the interest income on liquidity reserve amounts to EUR 127,000. The revised international rankings of the results are given in table 11.

Table 11 The effects of the shipping policy including interest income

	Taxable amount / tonnage	Tonnage taxes	Taxad interest income	% of profit
Singapore	NA	€ 8,030	NA	0.37%
Belgium	€ 159,637	€ 44,488	NA	2.04%
Norway	€ 45,407	€ 12,714	€ 35,560	2.22%
Netherlands	€ 172,820	€ 34,564	€ 25,400	2.75%
Greece	160,031	€ 68,525	NA	3.15%

The results presented in table 11 showed a shift in the ranking whereby the Netherlands has lost its middle ranking in comparison with the previous results. Furthermore, the difference in the countries in EU has become even smaller where the differences fluctuate between 0.18% and 1.11%. Since the differences in the EU countries are smaller when including the interest income, a relocating of the shipping activities to one of these countries is not obvious. Even if Singapore is included – which now gained a more competitive position – in the decision making process with an advantage of 2.38% with respect to the Netherlands, this might not be sufficient. However if in a fiscal year the interest income arises and the other factor are unchanged – resulting in a downturn of the position of the Netherlands – the shipping company might reconsider the location of its activities and makes Singapore a potential business place.

Policymakers need to stress the importance of this factor since this might negatively influence the competitive position of the Netherlands. Moreover as other EU countries are eligible to include an exemption of the interest income and therefore are in line with the EU guidelines, the Netherlands might also qualify for the alignment of the legislation. According to Mr. Dorsman of the KVNR, this aspect is also a point of attention for the KVNR and the organization puts a lot of emphasis on this aspect during consultation with the decision makers.

5.3 Internal or External EU competition?

The above described quantitative benchmark illustrates that the differences between the EU countries do not differ much from each other. Policy-makers are aware that tonnage tax is, however, of no benefit unless it is low enough to compete with other regimes. Therefore, as already pointed out in the previous chapter, EU countries tend to compose their shipping policies on the border to what is minimally required in the community guidelines on state aid to maritime transport. This process might evolutes in the near future indirectly towards a unified shipping policy in the EU. This can be illustrated with an example of the tonnage tax tariffs in the Netherlands. Until 2009 the tonnage tax scheme consisted of four tariffs. Over the years other EU countries implemented a lower tariff for the larger vessels of around 40,000 ton and more and therefore Dutch policy-makers applied for a new lower tariff in the scheme in order to make the tax scheme more competitive and to keep a level playing field. This resulted in an implementation of a new tariff for sea-going vessels with a net tonnage over 50,000.

However, this modification in the law should be rather seen as a symbolic measure than as a functional measure. According to Mr. Boogaard of the Tax Authority and Mr. Dorsman of KVNR there are just a few shipping companies who are eligible to take advantage of this measure and for the ones who are eligible the benefits are minimal. According to the "Vlootboek databestand 2010" the Dutch fleet consists mainly of the Short sea segment. As per 31 December 2009 about 80% of the fleet is less than 10.000 GT while the half is less than 3.000 GT[19]. Policymakers should therefore focus on issues that really affect the competitive position while taking into account the fleet composition of the Netherlands instead of just duplicate measures of other EU countries. For example the instrument of the exemption of the interest income might be more effective than implementing a lower tariff for the largest vessels.

As mentioned above, in the future one might expect more harmonization of EU shipping policies resulting in one unified shipping policy. This will probably lead to the case that if a shipping company in the Netherlands would consider relocating to a more favorable regime, the choice will fall on international regimes outside the EU. In this case the options are open registries or the modern international registers (hybrid registers) e.g. Singapore. In these registries shipping companies are confronted with fewer restrictions when applying for beneficial shipping policies and significant benefits can be realized regarding the tonnage tax payable. This view is also in line with the interviewed experts

[19] Inspectie Verkeer en Waterstaat, *Vlootboek databestand Verkeer en Waterstaat 2010*

which confirmed that open or international regimes are the logical competitors for the Netherlands. Therefore on might argue that EU countries fear external competition of other shipping tax policies. Exemption hereof is in case of the largest vessel (over 80,000 grt) where the Greek system provides a remarkable discount of 75% and thus become an internal (EU) competitor for the Netherlands. In the Netherlands there are few vessels of magnitude and as such the competition is limited.

5.4 Other location factors

Question here is how the Netherlands will compete against these beneficial international shipping policies. As the Netherlands is part of the EU and is required to fulfill the guidelines of state aid, the autonomy to transform the regulation in a policy similar to an open registry or international register is limited. For that reason it is important for the Netherlands to score high in other fiscal regulations and location factors. In the fiscal regulations important aspects to attract international activities are as mentioned above the low corporate income tax tariff, participation exemption and fiscal unity. Besides these general regulations other more specific features are the 30% ruling for expats and the international treaties closed with many countries to avoid double taxation. The fact that in the Netherlands shipping companies might obtain a ruling contract from the tax inspector also enhances the position of the Netherlands. Since these contracts give the tax payer certainty and the possibility to take compromises with the Tax Authority. It is essential that foreign companies are aware of these benefits and as such the Dutch register and business climate need to be promoted adequately.

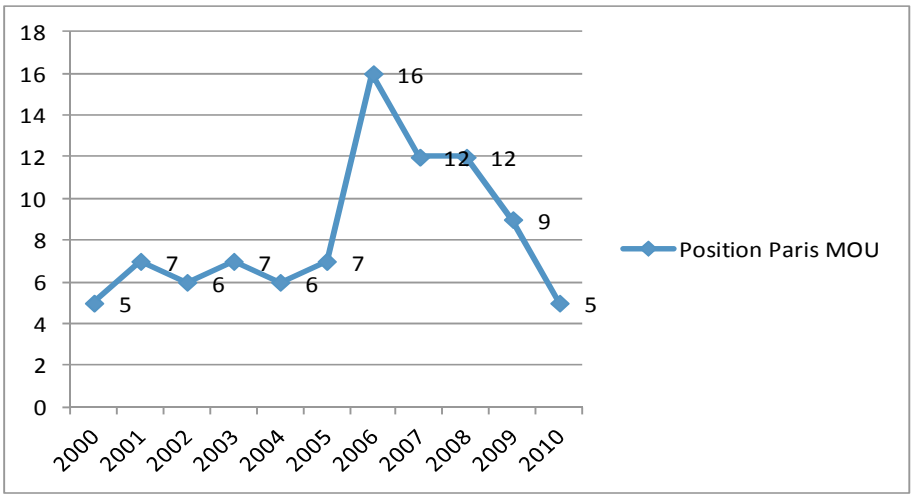
In an international study conducted by KPMG[20] where the fiscal climate is important and mature markets of the world are analyzed, concluded that the Netherlands ranked in the top of the most competitive countries to start and run business activities for foreign companies. Therefore in order to preserve this advantage the government has the duty to maintain this fiscal advantage intact. As business costs are not the only decisive factors when relocating, this study showed that factors as business environment and quality of life are also crucial. Companies are thus amongst other interested in the infrastructure, available labor pool and know-how of a location. In uncertainty economic moments as we are facing right now stability is another fundamental factor. Companies are seeking for a stable economical, political and social climate. History has showed that the Netherlands is stable on all

[20] Competitive Alternatives KPMG's Guide to International Business Location – Focus on Tax 2010

these aspects and therefore decision-makers have the responsibility to keep this trend and do not change the expectations.

Additionally, the reputation of a flag acts also as a key factor in the attractiveness of a register. A worldwide indicator for the quality of a register is the Paris Memorandum of Understanding (MOU) on Port State Control. This is an inspection system designed to target sub-standards ships with the main objective being their eventual elimination[21]. The inspections focus mainly on safety and environmental aspects of the vessel as well as on the quality and quantity of the crew. The ranking on the list of Paris MOU not only says something about the reputation of the flag but is also decisive for the amount of inspection for the ship in question sailing under a particular flag within a certain period. In figure 3 the ranking of the Netherlands in the Paris MOU is illustrated.

Figure 3 Ranking of the Netherlands on the Paris MOU White list



Source: Inspectie Verkeer en Waterstaat: Analyse Aanhoudingen NL-schepen in het buitenland 2010

According to figure 3 it is notable that since the year 2000, with the exception of 2006-2009, the Netherlands ranked within the top ten of the Paris MOU Whitelist. In 2010 the Netherlands strengthen its position in the list and ranked 5th after UK, Sweden, Germany and number one on the list Bermuda (UK). This is a positive trend that needs to be continued and if possible further developed. KVNR is one of the organizations which is committed to achieve this and take the position that when the risk-based

[21] www.parismou.org/organization/

inspection approach in 2011 is installed the port inspections of well performing shipping companies might decrease. Since the “Inspectie of Verkeer en Waterstaat” is planning to close covenants with shipping companies who are meeting the standard requirements, vessels sailing under the Dutch flag might benefit of this measure due to fewer inspections.

5.5 Conclusion

In this chapter a quantitative benchmark is conducted with the purpose to analyze the effects of the five different policies regarding the tonnage tax in practice and to achieve an insight to the level playing field.

The analysis confirmed that introducing a tonnage tax scheme leads to a low (corporate) income tax levied on companies. This low ship owner’s tax burden allows shipping companies to be more competitive on a global basis. The results showed that Singapore provides the most attractive regime while the Netherlands lies in the middle of the ranking. In Europe the results are more or less similar and therefore one can argue that there is a level playing field. For this reason there should be no urgency to relocate.

In case the impact of the interest income on liquidity reserve is included in the test, the results showed that the Netherlands deteriorates its position in the ranking. The difference is caused to the fact that the interest income is excluded in the tonnage tax system and therefore taxed at the ordinary rate. In this particular case the results does not lead to the urgency of relocating, though in case the interest arises the shipping company might reconsider the location of it is activities and makes Singapore a potential business place. Therefore policymakers need to stress the importance of this factor since this might negatively influence the competitive position of the Netherlands.

Since EU members are required to fulfill the guidelines of state aid, it is defendable that national policies may evolutes towards a unified shipping (fiscal) policy. The autonomy to transform the regulation in a policy similar to an open registry or international register is therefore limited. Dutch policymakers should therefore focus on other non shipping tax aspects where a competitive position can be achieved.

Factors as general tax instruments in the corporate income tax, promoting the fiscal policy abroad, stability and quality / reputation of a flag might contribute to a better competitive position.

Chapter 6: Conclusion and recommendation

6.1. Conclusion

The maritime shipping industry has long been recognized as a crucial source of employment, revenues and opportunities to a national economy. In order to attract several economic activities countries have implemented competitive shipping policies. One of the pillars within the competitive shipping strategies is the tax fragment. In the EU, the Netherlands was one of the pioneers to introduce fiscal incentives for its own maritime industry leading to positive results. However years after having introduced the incentives, several researchers have come to the conclusion that the Dutch shipping fiscal policy has lost its advantage. This paper discussed the current classification of the Dutch shipping tax system when compared to other national schemes. Therefore the main research question for this dissertation is stated below.

Has the Dutch shipping tax system been able to develop itself over the years and where do we stand nowadays when taking other maritime nations into account?

In the 90's the possibility of flagging out brought up new challenges for all maritime countries. In order to encourage the re-flagging towards EU register and the enhancement of the maritime cluster the EU Commission developed the State aid Guidelines for the maritime transport. These guidelines allow EU members to develop their own policy in regards to their own national and commercial interest. The main fiscal instruments that is put into action to revitalize the shipping industry is the tonnage tax, wage cost deduction and the depreciation regime. The reasoning behind the implementation of these instruments is to provide a level playing field of taxation to other European countries and global regimes.

The paper discussed and made comparisons between the national policies of four EEA members including the Netherlands, Belgium, Norway and Greece and of a non EEA member, Singapore. This allows comparisons to be made within the national flags in the EU and of an international flag.

The policy analysis showed that among the European countries there are two different models applicable; the Dutch and Greek model. With respect to the tonnage tax regime the countries categorized under the Dutch model are more or less the same. Nevertheless there are some aspects in the Dutch legislation where the regulation is less strictly and in some cases where it is more rigid. The

Greece model on the other hand covers a broader range of shipping activities and the requirements for management activities are less strictly. When it comes to the tonnage tax regime of Singapore, the aspirations of becoming an international maritime centre are clearly visible in this regime. Especially the broader range of non maritime transportation activities makes this system attractive.

A critical analysis of the wage cost regime in the Dutch model shows that there are more differences than similarities between the analyzed countries. In this aspect the Dutch scheme is stricter than the other countries analyzed. This is in terms of activities allowed as well as the tariff discount provided in the scheme. As nowadays shipping companies are seeking to minimize its labor cost this might negatively influence the Dutch position possibly leading to the loss of knowledge and know-how in the cluster.

The advanced depreciation facility in the Netherlands (temporarily measure) is a better variant of the general depreciation regimes in Europe. Especially now in difficult economical times where liquidity is essential this temporarily measure has an advantage over the other regimes.

A representative case used to calculate and present the value of the taxable income of the five maritime nations showed that Singapore provides the most attractive regime while the Netherlands lies in the middle of the ranking. In case the impact of the interest income on liquidity reserve is included in the test, the results showed that the Netherlands deteriorates its position in the ranking. Since in Europe the results are more or less similar therefore one can argue that there is a level playing field.

6.2. Recommendation

From the above mentioned it is arguable that some progress has been made in terms of national-registered fleet but still the position of the Netherlands is generally towards the middle of the ranking. In order to improve this position it is not necessary to implement radical changes in the shipping tax regimes. Continuous changes in the legislation may not lead to the desire result and no reactions from the market. Besides if the Netherlands request for any change on the grounds that requires an in-depth examination of the existing system this might encourage Brussels law-makers to open up what could prove a can of worms.

However there are two aspects which policymakers may stress about namely the interest income on liquidity reserves and the tariff discount of the wage cost deduction regime. Given the Dutch fleet composition – consisting mainly of small shipping companies – these aspects might enhance the competitive position. These groups are less footloose and more committed to their national country.

Since the taxation regimes nowadays are becoming more similar and in the EU policies are in the direction of a unified shipping (fiscal) policy, Dutch policymakers should also focus on other (economical) factors. Relying only on the fiscal regime is nowadays not sufficient. Besides an attractive ordinary corporate income tax it is also important to promote this in a targeted effective way. For example, in the Netherlands it is allow to make compromises with the Tax Authority when composing the agreements of the tonnage tax base. During recruitment activities abroad the government might also send a tax inspector to explain the liberal thought of the Dutch system. Especially in countries where this is not usable (e.g. China) this might works positively. Furthermore the reputation of a flag is also essential for the national register. It is important to maintain the high ranking in the the Paris MOU Whitelist. The plans to diminish the amount of inspection through a risk-based approach are a good step in the right direction.

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APPENDIX

Calculation of the taxable tonnage tax in different countries

DUTCH TAXABLE SHIPPING PROFIT 2010				Tonnage	Tariff
			0	1000	9.08
			1000	10000	6.81
			10000	25000	4.54
			25000	50000	2.27
			50000		0.5
Schip	*Netto tonnage*	*Netto tonnage*	*Sailing days*	*Percentage share*	*Profit (EUR)*
SHIP 1	6,124	6,000	365	100%	15,742
SHIP 2	3,266	3,000	365	100%	8,285
SHIP 3	3,266	3,000	365	100%	8,285
SHIP 4	3,266	3,000	365	100%	8,285
SHIP 5	3,266	3,000	365	100%	8,285
TOTAL SHIPPING	**19,188**	**18,000**	**1,825**	**100%**	**48,882**
SHIP 6	6,861	6,000	12.06	100%	520
SHIP 7	16,450	16,000	9.34	100%	912
SHIP 8	9,315	9,000	11.85	100%	753
SHIP 9	10,948	10,000	27.99	100%	1,969
SHIP 10	12,334	12,000	25.44	100%	2,021
SHIP 11	2,792	2,000	20.58	100%	327
SHIP 12	9,614	9,000	8.65	100%	549
SHIP 12	9,614	9,000	47.25	100%	3,003
SHIP 12	9,614	9,000	25.05	100%	1,592
SHIP 12	9,614	9,000	44.97	100%	2,858
SHIP 12	9,614	9,000	10.38	100%	659
SHIP 12	9,614	9,000	12.90	100%	819
SHIP 12	9,614	9,000	30.73	100%	1,953
SHIP 12	9,614	9,000	27.79	100%	1,766
SHIP 12	9,614	9,000	23.61	100%	1,500
SHIP 12	9,614	9,000	35.80	100%	2,275
SHIP 12	9,614	9,000	31.68	100%	2,013
SHIP 12	9,614	9,000	36.69	100%	2,332
SHIP 12	9,614	9,000	23.66	100%	1,503
SHIP 12	9,614	9,000	5.85	100%	371
SHIP 13	9,875	9,000	13.38	100%	850
SHIP 13	9,875	9,000	23.70	100%	1,506
SHIP 14	10,546	10,000	31.74	100%	2,233
SHIP 15	6,124	6,000	30.75	100%	1,326
SHIP 16	11,132	11,000	10.97	100%	822
SHIP 16	11,132	11,000	20.78	100%	1,557
SHIP 17	11,132	11,000	14.63	100%	1,096
SHIP 17	11,132	11,000	86.15	100%	6,453
SHIP 17	11,132	11,000	26.66	100%	1,997
SHIP 18	7,329	7,000	25.27	100%	1,261
SHIP 19	10,390	10,000	32.92	100%	2,316
SHIP 20	10,947	10,000	29.42	100%	2,070
SHIP 21	10,104	10,000	22.46	100%	1,580
SHIP 22	6,859	6,000	26.21	100%	1,130
SHIP 23	11,034	11,000	43.42	100%	3,253
SHIP 24	9,829	9,000	13.00	100%	826
SHIP 25	9,789	9,000	35.44	100%	2,252
SHIP 25	9,789	9,000	21.94	100%	1,394
SHIP 25	9,789	9,000	27.79	100%	1,766
SHIP 25	9,789	9,000	55.48	100%	3,526
SHIP 25	9,789	9,000	53.42	100%	3,395
SHIP 25	9,789	9,000	59.62	100%	3,789
SHIP 25	9,789	9,000	90.27	100%	5,737
SHIP 25	9,789	9,000	21.03	100%	1,336
SHIP 26	10,498	10,000	29.54	100%	2,078
SHIP 27	11,444	11,000	8.00	100%	599
SHIP 28	9,293	9,000	43.42	100%	2,759
SHIP 29	14,440	14,000	39.38	100%	3,486
SHIP 30	14,155	14,000	19.08	100%	1,689
SHIP 31	12,531	12,000	39.42	100%	3,132
SHIP 32	9,924	9,000	27.37	100%	1,739
SHIP 32	9,924	9,000	27.40	100%	1,741
SHIP 32	9,924	9,000	30.93	100%	1,965
SHIP 33	9,924	9,000	41.19	100%	2,618
SHIP 34	8,385	8,000	30.28	100%	1,718
SHIP 35	10,718	10,000	25.60	100%	1,801
SHIP 36	10,718	10,000	26.80	100%	1,885
SHIP 37	10,718	10,000	32.46	100%	2,284
SHIP 38	10,718	10,000	30.28	100%	2,130
SHIP 39	13,402	13,000	35.83	100%	3,009
SHIP 40	12,552	12,000	38.99	100%	3,098
SHIP 41	10,108	10,000	16.25	100%	1,143
SHIP 42	9,209	9,000	29.87	100%	1,898
TOTAL STEEL	**638,765**	**603,000**	**1,861**	**100%**	**123,938**
TOTAL SHIPPING + STEEL	**657,953**	**621,000**	**3,686**	**100%**	**172,820**

RECAP	Taxable amount **EUR**	Corporate income tax **EUR**
TOTAL STEEL	123,938	
< EUR 200.000 = 20%	123,938	24,788
> EUR 200.000 = 25%		
TOTAL SHIPPING		
Ship 1		
< EUR 200.000 = 20%	15,742	3,148
Ship 2		
< EUR 200.000 = 20%	8,285	1,657
Ship 3		
< EUR 200.000 = 20%	8,285	1,657
Ship 4		
< EUR 200.000 = 20%	8,285	1,657
Ship 5		
< EUR 200.000 = 20%	8,285	1,657
TOTAL SHIPPING + STEEL	172,820	34,564

BELGIUM TAXABLE SHIPPING PROFIT 2010				Tonnage	Tariff
			0	1000	10
			1000	10000	6
			10000	20000	4
			20000	40000	2
			40000		0.5
		Netto		Percentage	
Schip	*Netto tonnage*	*tonnage*	*Sailing days*	*share*	*Profit (EUR)*
SHIP 1	6,124	6,000	365	100%	14,600
SHIP 2	3,266	3,000	365	100%	8,030
SHIP 3	3,266	3,000	365	100%	8,030
SHIP 4	3,266	3,000	365	100%	8,030
SHIP 5	3,266	3,000	365	100%	8,030
TOTAAL SHIPPING	**19,188**	**18,000**	**1,825**	**100%**	**46,720**
SHIP 6	6,861	6,000	12.06	100%	482
SHIP 7	16,450	16,000	9.34	100%	822
SHIP 8	9,315	9,000	11.85	100%	687
SHIP 9	10,948	10,000	27.99	100%	1,791
SHIP 10	12,334	12,000	25.44	100%	1,832
SHIP 11	2,792	2,000	20.58	100%	329
SHIP 12	9,614	9,000	8.65	100%	501
SHIP 12	9,614	9,000	47.25	100%	2,740
SHIP 12	9,614	9,000	25.05	100%	1,452
SHIP 12	9,614	9,000	44.97	100%	2,608
SHIP 12	9,614	9,000	10.38	100%	602
SHIP 12	9,614	9,000	12.90	100%	748
SHIP 12	9,614	9,000	30.73	100%	1,782
SHIP 12	9,614	9,000	27.79	100%	1,611
SHIP 12	9,614	9,000	23.61	100%	1,369
SHIP 12	9,614	9,000	35.80	100%	2,076
SHIP 12	9,614	9,000	31.68	100%	1,837
SHIP 12	9,614	9,000	36.69	100%	2,128
SHIP 12	9,614	9,000	23.66	100%	1,372
SHIP 12	9,614	9,000	5.85	100%	339
SHIP 13	9,875	9,000	13.38	100%	776
SHIP 13	9,875	9,000	23.70	100%	1,374
SHIP 14	10,546	10,000	31.74	100%	2,031
SHIP 15	6,124	6,000	30.75	100%	1,230
SHIP 16	11,132	11,000	10.97	100%	746
SHIP 16	11,132	11,000	20.78	100%	1,413
SHIP 17	11,132	11,000	14.63	100%	995
SHIP 17	11,132	11,000	86.15	100%	5,858
SHIP 17	11,132	11,000	26.66	100%	1,813
SHIP 18	7,329	7,000	25.27	100%	1,162
SHIP 19	10,390	10,000	32.92	100%	2,106
SHIP 20	10,947	10,000	29.42	100%	1,882
SHIP 21	10,104	10,000	22.46	100%	1,437
SHIP 22	6,859	6,000	26.21	100%	1,048
SHIP 23	11,034	11,000	43.42	100%	2,953
SHIP 24	9,829	9,000	13.00	100%	754
SHIP 25	9,789	9,000	35.44	100%	2,055
SHIP 25	9,789	9,000	21.94	100%	1,272
SHIP 25	9,789	9,000	27.79	100%	1,611
SHIP 25	9,789	9,000	55.48	100%	3,217
SHIP 25	9,789	9,000	53.42	100%	3,098
SHIP 25	9,789	9,000	59.62	100%	3,457
SHIP 25	9,789	9,000	90.27	100%	5,235
SHIP 25	9,789	9,000	21.03	100%	1,219
SHIP 26	10,498	10,000	29.54	100%	1,890
SHIP 27	11,444	11,000	8.00	100%	544
SHIP 28	9,293	9,000	43.42	100%	2,518
SHIP 29	14,440	14,000	39.38	100%	3,150
SHIP 30	14,155	14,000	19.08	100%	1,526
SHIP 31	12,531	12,000	39.42	100%	2,838
SHIP 32	9,924	9,000	27.37	100%	1,587
SHIP 32	9,924	9,000	27.40	100%	1,589
SHIP 32	9,924	9,000	30.93	100%	1,793
SHIP 33	9,924	9,000	41.19	100%	2,389
SHIP 34	8,385	8,000	30.28	100%	1,574
SHIP 35	10,718	10,000	25.60	100%	1,638
SHIP 36	10,718	10,000	26.80	100%	1,715
SHIP 37	10,718	10,000	32.46	100%	2,077
SHIP 38	10,718	10,000	30.28	100%	1,937
SHIP 39	13,402	13,000	35.83	100%	2,723
SHIP 40	12,552	12,000	38.99	100%	2,807
SHIP 41	10,108	10,000	16.25	100%	1,040
SHIP 42	9,209	9,000	29.87	100%	1,732
TOTAL STEEL	**638,765**	**603,000**	**1,861**	**100%**	**112,917**
TOTAL SHIPPING + STEEL	**657,953**	**621,000**	**3,686**	**100%**	**159,637**

RECAP	Taxable amount **EUR**	Corporate income tax **EUR**
TOTAL STEEL	112,917	
< EUR 25.000 = 24,98%	25,000	6,245
EUR 25.000 - eur 90.000 = 31,93%	65,000	20,755
EUR 90.000 - EUR 322.500 = 35,54%	22,917	8,145
	112,917	35,144
TOTAL SHIPPING		
Ship 1		
EUR 90.000 - EUR 322.500 = 35,54%	14,600	2,920
Ship 2		
EUR 90.000 - EUR 322.500 = 35,54%	8,030	1,606
Ship 3		
EUR 90.000 - EUR 322.500 = 35,54%	8,030	1,606
Ship 4		
EUR 90.000 - EUR 322.500 = 35,54%	8,030	1,606
Ship 5		
EUR 90.000 - EUR 322.500 = 35,54%	8,030	1,606
TOTAL SHIPPING + STEEL	159,637	44,488

				Tonnage	Tariff
			0	1000	0
NORWEGIAN TAXABLE SHIPPING PROFIT 2010			1000	10000	2.22
			10000	25000	1.48
			25000		0.74
		Netto		Percentage	
Schip	*Netto tonnage*	*tonnage*	*Sailing days*	*share*	*Profit (EUR)*
SHIP 1	6,124	6,000	365	100%	4,051
SHIP 2	3,266	3,000	365	100%	1,620
SHIP 3	3,266	3,000	365	100%	1,620
SHIP 4	3,266	3,000	365	100%	1,620
SHIP 5	3,266	3,000	365	100%	1,620
TOTAAL SHIPPING	**19,188**	**18,000**	**1,825**	**100%**	**10,531**
SHIP 6	6,861	6,000	12.06	100%	133
SHIP 7	16,450	16,000	9.34	100%	270
SHIP 8	9,315	9,000	11.85	100%	210
SHIP 9	10,948	10,000	27.99	100%	559
SHIP 10	12,334	12,000	25.44	100%	584
SHIP 11	2,792	2,000	20.58	100%	45
SHIP 12	9,614	9,000	8.65	100%	153
SHIP 12	9,614	9,000	47.25	100%	839
SHIP 12	9,614	9,000	25.05	100%	444
SHIP 12	9,614	9,000	44.97	100%	798
SHIP 12	9,614	9,000	10.38	100%	184
SHIP 12	9,614	9,000	12.90	100%	229
SHIP 12	9,614	9,000	30.73	100%	545
SHIP 12	9,614	9,000	27.79	100%	493
SHIP 12	9,614	9,000	23.61	100%	419
SHIP 12	9,614	9,000	35.80	100%	635
SHIP 12	9,614	9,000	31.68	100%	562
SHIP 12	9,614	9,000	36.69	100%	651
SHIP 12	9,614	9,000	23.66	100%	420
SHIP 12	9,614	9,000	5.85	100%	103
SHIP 13	9,875	9,000	13.38	100%	237
SHIP 13	9,875	9,000	23.70	100%	420
SHIP 14	10,546	10,000	31.74	100%	634
SHIP 15	6,124	6,000	30.75	100%	341
SHIP 16	11,132	11,000	10.97	100%	235
SHIP 16	11,132	11,000	20.78	100%	446
SHIP 17	11,132	11,000	14.63	100%	314
SHIP 17	11,132	11,000	86.15	100%	1,849
SHIP 17	11,132	11,000	26.66	100%	572
SHIP 18	7,329	7,000	25.27	100%	336
SHIP 19	10,390	10,000	32.92	100%	657
SHIP 20	10,947	10,000	29.42	100%	587
SHIP 21	10,104	10,000	22.46	100%	448
SHIP 22	6,859	6,000	26.21	100%	290
SHIP 23	11,034	11,000	43.42	100%	932
SHIP 24	9,829	9,000	13.00	100%	230
SHIP 25	9,789	9,000	35.44	100%	629
SHIP 25	9,789	9,000	21.94	100%	389
SHIP 25	9,789	9,000	27.79	100%	493
SHIP 25	9,789	9,000	55.48	100%	985
SHIP 25	9,789	9,000	53.42	100%	948
SHIP 25	9,789	9,000	59.62	100%	1,058
SHIP 25	9,789	9,000	90.27	100%	1,603
SHIP 25	9,789	9,000	21.03	100%	373
SHIP 26	10,498	10,000	29.54	100%	590
SHIP 27	11,444	11,000	8.00	100%	172
SHIP 28	9,293	9,000	43.42	100%	771
SHIP 29	14,440	14,000	39.38	100%	1,020
SHIP 30	14,155	14,000	19.08	100%	494
SHIP 31	12,531	12,000	39.42	100%	904
SHIP 32	9,924	9,000	27.37	100%	486
SHIP 32	9,924	9,000	27.40	100%	486
SHIP 32	9,924	9,000	30.93	100%	549
SHIP 33	9,924	9,000	41.19	100%	731
SHIP 34	8,385	8,000	30.28	100%	470
SHIP 35	10,718	10,000	25.60	100%	511
SHIP 36	10,718	10,000	26.80	100%	535
SHIP 37	10,718	10,000	32.46	100%	648
SHIP 38	10,718	10,000	30.28	100%	604
SHIP 39	13,402	13,000	35.83	100%	875
SHIP 40	12,552	12,000	38.99	100%	894
SHIP 41	10,108	10,000	16.25	100%	324
SHIP 42	9,209	9,000	29.87	100%	530
TOTAL STEEL	**638,765**	**603,000**	**1,861**	**100%**	**34,876**
TOTAL SHIPPING + STEEL	**657,953**	**621,000**	**3,686**	**100%**	**45,407**

RECAP	Taxable amount	Corporate income tax
	EUR	**EUR**
TOTAL STEEL	34,876	
> EUR 1 = 28%	34,876	9,765
	34,876	9,765
TOTAL SHIPPING		
SHIP 1		
> EUR 1 = 28%	4,051	1,134
SHIP 2		
> EUR 1 = 28%	1,620	454
SHIP 3		
> EUR 1 = 28%	1,620	454
SHIP 4		
> EUR 1 = 28%	1,620	454
SHIP 5		
> EUR 1 = 28%	1,620	454
TOTAL SHIPPING + STEEL	45,407	12,714

		Tonnage	Coefficient			Age	Rate
	100	10000	1.2		0	4	0.27
	10000	20000	1.1		5	9	0.49
GREEK TAXABLE PROFIT 2010	20000	40000	1		10	19	0.48
	40000	80000	0.9		20	29	0.45
	80000		0.8		30		0.35

			Netto		Percentage		
Schip	*Gross tonnage*	*Built*	*tonnage*	*Sailing days*	*share*	*Taxable ton*	Payable corporate tax
SHIP 1	14,118	1999	14,000	365	100%	16,400	7,872
SHIP 2	7,687	2006	7,000	365	100%	8,400	2,268
SHIP 3	7,500	2006	7,000	365	100%	8,400	2,268
SHIP 4	7,687	2006	7,000	365	100%	8,400	2,268
SHIP 5	6,522	2005	6,000	365	100%	7,200	3,528
TOTAL SHIPPING	**43,514**		**41,000**	**1,825**	**100%**	**48,800**	**18,204**
SHIP 6	12,578	2002	12,000	12.06	100%	469	230
SHIP 7	26,574	2003	26,000	9.34	100%	742	364
SHIP 8	18,095	1998	18,000	11.85	100%	675	324
SHIP 9	20,212	2003	20,000	27.99	100%	1,764	864
SHIP 10	24,960	2005	24,000	25.44	100%	1,882	922
SHIP 11	6,714	1998	6,000	20.58	100%	406	195
SHIP 12	19,354	1998	19,000	8.65	100%	519	249
SHIP 12	19,354	1998	19,000	47.25	100%	2,835	1,361
SHIP 12	19,354	1998	19,000	25.05	100%	1,503	721
SHIP 12	19,354	1998	19,000	44.97	100%	2,698	1,295
SHIP 12	19,354	1998	19,000	10.38	100%	623	299
SHIP 12	19,354	1998	19,000	12.90	100%	774	372
SHIP 12	19,354	1998	19,000	30.73	100%	1,844	885
SHIP 12	19,354	1998	19,000	27.79	100%	1,667	800
SHIP 12	19,354	1998	19,000	23.61	100%	1,417	680
SHIP 12	19,354	1998	19,000	35.80	100%	2,148	1,031
SHIP 12	19,354	1998	19,000	31.68	100%	1,901	912
SHIP 12	19,354	1998	19,000	36.69	100%	2,201	1,057
SHIP 12	19,354	1998	19,000	23.66	100%	1,420	681
SHIP 12	19,354	1998	19,000	5.85	100%	351	168
SHIP 13	18,597	1998	18,000	13.38	100%	762	366
SHIP 13	18,597	1998	18,000	23.70	100%	1,351	648
SHIP 14	19,831	2009	19,000	31.74	100%	1,904	514
SHIP 15	14,118	1999	14,000	30.75	100%	1,382	663
SHIP 16	22,072	2003	22,000	10.97	100%	751	368
SHIP 16	22,072	2003	22,000	20.78	100%	1,423	697
SHIP 17	22,072	2004	22,000	14.63	100%	1,002	491
SHIP 17	22,072	2004	22,000	86.15	100%	5,901	2,891
SHIP 17	22,072	2004	22,000	26.66	100%	1,826	895
SHIP 18	14,116	2007	14,000	25.27	100%	1,135	307
SHIP 19	17,815	1985	17,000	32.92	100%	1,777	800
SHIP 20	20,238	2009	20,000	29.42	100%	1,854	501
SHIP 21	17,018	2008	17,000	22.46	100%	1,212	327
SHIP 22	11,121	1995	11,000	26.21	100%	941	452
SHIP 23	19,069	1999	19,000	43.42	100%	2,605	1,250
SHIP 24	19,816	2007	19,000	13.00	100%	780	211
SHIP 25	18,597	1998	18,000	35.44	100%	2,020	969
SHIP 25	18,597	1998	18,000	21.94	100%	1,250	600
SHIP 25	18,597	1998	18,000	27.79	100%	1,584	760
SHIP 25	18,597	1998	18,000	55.48	100%	3,162	1,518
SHIP 25	18,597	1998	18,000	53.42	100%	3,044	1,461
SHIP 25	18,597	1998	18,000	59.62	100%	3,398	1,631
SHIP 25	18,597	1998	18,000	90.27	100%	5,144	2,469
SHIP 25	18,597	1998	18,000	21.03	100%	1,198	575
SHIP 26	16,960	2007	16,000	29.54	100%	1,505	406
SHIP 27	21,385	2004	21,000	8.00	100%	526	258
SHIP 28	16,344	1987	16,000	43.42	100%	2,213	996
SHIP 29	29,758	2006	29,000	39.38	100%	3,452	932
SHIP 30	29,381	1996	29,000	19.08	100%	1,673	803
SHIP 31	30,657	1982	30,000	39.42	100%	3,564	1,604
SHIP 32	17,784	1998	17,000	27.37	100%	1,477	709
SHIP 32	17,784	1998	17,000	27.40	100%	1,479	710
SHIP 32	17,784	1998	17,000	30.93	100%	1,669	801
SHIP 33	17,784	2001	17,000	41.19	100%	2,223	1,089
SHIP 34	14,706	1998	14,000	30.28	100%	1,361	653
SHIP 35	19,746	2001	19,000	25.60	100%	1,536	753
SHIP 36	19,746	2002	19,000	26.80	100%	1,608	788
SHIP 37	19,743	1999	19,000	32.46	100%	1,948	935
SHIP 38	20,000	2008	20,000	30.28	100%	1,908	515
SHIP 39	24,140	2005	24,000	35.83	100%	2,650	1,299
SHIP 40	24,918	2003	24,000	38.99	100%	2,884	1,413
SHIP 41	17,070	2009	17,000	16.25	100%	877	237
SHIP 42	15,786	1985	15,000	29.87	100%	1,432	644
TOTAL STEEL	**1,221,037**		**1,192,000**	**1,861**	**100%**	**111,231**	**50,321**
TOTAL SHIPPING + STEEL	**1,264,551**		**1,233,000**	**3,686**	**100%**	**160,031**	**68,525**

				Tonnage	Tariff
			0	50000	0.12
SINGAPOREAN TAXABLE SHIPPING PROFIT 2010					
		Netto		Percentage	Corporate
Schip	Netto tonnage	tonnage	Sailing days	share	ncome Tax (EUR
SHIP 1	6,124	6,000	365	100%	720
SHIP 2	3,266	3,000	365	100%	360
SHIP 3	3,266	3,000	365	100%	360
SHIP 4	3,266	3,000	365	100%	360
SHIP 5	3,266	3,000	365	100%	360
TOTAL SHIPPING	**19,188**	**18,000**	**1,825**	**100%**	**2,160**
SHIP 6	6,861	6,000	12.06	100%	24
SHIP 7	16,450	16,000	9.34	100%	49
SHIP 8	9,315	9,000	11.85	100%	35
SHIP 9	10,948	10,000	27.99	100%	92
SHIP 10	12,334	12,000	25.44	100%	100
SHIP 11	2,792	2,000	20.58	100%	14
SHIP 12	9,614	9,000	8.65	100%	26
SHIP 12	9,614	9,000	47.25	100%	140
SHIP 12	9,614	9,000	25.05	100%	74
SHIP 12	9,614	9,000	44.97	100%	133
SHIP 12	9,614	9,000	10.38	100%	31
SHIP 12	9,614	9,000	12.90	100%	38
SHIP 12	9,614	9,000	30.73	100%	91
SHIP 12	9,614	9,000	27.79	100%	82
SHIP 12	9,614	9,000	23.61	100%	70
SHIP 12	9,614	9,000	35.80	100%	106
SHIP 12	9,614	9,000	31.68	100%	94
SHIP 12	9,614	9,000	36.69	100%	109
SHIP 12	9,614	9,000	23.66	100%	70
SHIP 12	9,614	9,000	5.85	100%	17
SHIP 13	9,875	9,000	13.38	100%	40
SHIP 13	9,875	9,000	23.70	100%	70
SHIP 14	10,546	10,000	31.74	100%	104
SHIP 15	6,124	6,000	30.75	100%	61
SHIP 16	11,132	11,000	10.97	100%	40
SHIP 16	11,132	11,000	20.78	100%	75
SHIP 17	11,132	11,000	14.63	100%	53
SHIP 17	11,132	11,000	86.15	100%	312
SHIP 17	11,132	11,000	26.66	100%	96
SHIP 18	7,329	7,000	25.27	100%	58
SHIP 19	10,390	10,000	32.92	100%	108
SHIP 20	10,947	10,000	29.42	100%	97
SHIP 21	10,104	10,000	22.46	100%	74
SHIP 22	6,859	6,000	26.21	100%	52
SHIP 23	11,034	11,000	43.42	100%	157
SHIP 24	9,829	9,000	13.00	100%	38
SHIP 25	9,789	9,000	35.44	100%	105
SHIP 25	9,789	9,000	21.94	100%	65
SHIP 25	9,789	9,000	27.79	100%	82
SHIP 25	9,789	9,000	55.48	100%	164
SHIP 25	9,789	9,000	53.42	100%	158
SHIP 25	9,789	9,000	59.62	100%	176
SHIP 25	9,789	9,000	90.27	100%	267
SHIP 25	9,789	9,000	21.03	100%	62
SHIP 26	10,498	10,000	29.54	100%	97
SHIP 27	11,444	11,000	8.00	100%	29
SHIP 28	9,293	9,000	43.42	100%	128
SHIP 29	14,440	14,000	39.38	100%	181
SHIP 30	14,155	14,000	19.08	100%	88
SHIP 31	12,531	12,000	39.42	100%	156
SHIP 32	9,924	9,000	27.37	100%	81
SHIP 32	9,924	9,000	27.40	100%	81
SHIP 32	9,924	9,000	30.93	100%	92
SHIP 33	9,924	9,000	41.19	100%	122
SHIP 34	8,385	8,000	30.28	100%	80
SHIP 35	10,718	10,000	25.60	100%	84
SHIP 36	10,718	10,000	26.80	100%	88
SHIP 37	10,718	10,000	32.46	100%	107
SHIP 38	10,718	10,000	30.28	100%	100
SHIP 39	13,402	13,000	35.83	100%	153
SHIP 40	12,552	12,000	38.99	100%	154
SHIP 41	10,108	10,000	16.25	100%	53
SHIP 42	9,209	9,000	29.87	100%	88
TOTAL STEEL	**638,765**	**603,000**	**1,861**	**100%**	**5,870**
TOTAL SHIPPING + STEEL	**657,953**	**621,000**	**3,686**	**100%**	**8,030**

Interviews with professionals

Interview with Mr. M. Dorsman, director at KVNR

1. Is the strategy to stimulate ships under the national flag a wise strategy?
    - It is important to realize that choosing a national flag is not an economical issue but rather a political issue. It is not obligated to sail under the Dutch flag in order to opt for Dutch fiscal facilities i.e. tonnage tax. If a shipping company sails under one of the EU countries flag he is allow to opt for the Dutch system (flag requirement).
    - However national policymakers are in favor to attract shipping companies to their national register. Since having a strong national fleet might give a country more influence in internationally decision taking processes i.e. achieving a prominent role in the IMO.
    - The flag requirement is an important condition which has evolved over time. From the beginning this conditions was very strict but since globalization has gained more attention exceptions has been made. Until 2004 the EU flag was required but with several exceptions (a percentage of the total fleet should sail under the EU flag). From 17 January 2004 one should test the conditions for each ship. All these conditions are stipulated in EU guidelines. These guidelines explained how to interpret these conditions and what is consider being state aid.

2. How much does a national flag contribute to the success and development of a maritime industry cluster?
    - In order to be competitive nowadays it is a requirement to have an attractive fiscal climate. However since many countries also implemented such fiscal schemes other factors need to be considered and are also relevant. The central idea behind implementing i.e. the tonnage tax was to attract economic activities. Mainly to attract ashore activities since these are more value adding.

3. How is it possible that although most economist agree that specific industry policies mostly do not lead to economic success, governments keep developing policies for the shipping industry?
    - Historical perspective
    - Maintain the position of The Netherlands as a Maritime Nation
    - Strong lobby of KVNR
    - Achieve a prominent role in international shipping organizations (i.e. IMO)

4. Who are the main competitors for The Netherlands? Other EU countries or FOC?
    - KVNR doesn't use the term FOC. FOC is frequently related to flags which are not qualitative. Instead hereof the term open registers are being used. Countries as Panama and Liberia have a strong and qualitative flag.

- Last mentioned countries were in the 90's the main competitors for the Netherlands. From 2000 the main competitors are Singapore, Hong Kong and also the Marshall islands. Especially Singapore has been active in promoting their fiscal scheme. This scheme is kind of similar to the one of the Netherlands but with less restrictions and more favorable
- In the EU you have the race to the bottom idea therefore the majority of the national policies tend in the direction of the European framework. There are no big differences between these countries.

5. To what degree can "flagging- out" be an issue for The Netherlands? Could international register be considered as a solution to flagging out?
    - Since shipping companies are active in a competitive world, footloose and cost- conscious it's more difficult than in the past to retain them in your scheme. National policy makers always feel the pressure of the environment and are aware to maintain their fiscal scheme attractive.
    - For the Netherlands it's important to create a level playing field.
    - The Netherlands conscious did not choose to install an international register. They believe in their own strength and create an attractive fiscal liberal scheme.
    - Other relevant aspect is culture. One needs to be aware that companies also consider culture as an important location factor. Therefore several companies opt to allocate in a country in which cultural differences should not be an obstacle.

6. Install crewing requirements in order to maintain the maritime knowledge i.e. the case of UK?
    - The Netherlands is internationally known as being liberal regarding crew legislations. Since 1997 the responsibility of crew requirements has changed from policy prescriptions to the responsibility of the ship-owner. Ship-owners have the own responsibility to decide what the optimal (safety) scenario is to hire crew on a ship.
    - Since the beginning nationality requirements have been loosen due to globalization. It is also possible to gain permission for an officer for not European workers. This should be however be requested at KVNR and in consultation with the trade union.
    - Trade union is also being seen as liberal since they are also willing to collaborate in case of non European workers.
    - The KVNR is in favor of having one nationality on a ship in order to avoid cultural differences and miscommunication. The Netherlands has a strong partner relationship with the Filipinos.
    - At this moment there is already a lack of adequate crew so if you implement such a rule this will not solve the problem of lack of crew.

7. To what degree are other tax incentives i.e. accelerated depreciation of ships & investment deduction being used?

- There are certain facilities which are not frequently used. For example the 5*20 depreciation rule.
- However in the last 2 years (2009-2011) there is a crisis measure for companies/entities which do not opt for the tonnage regime. This measure implies that (Temporarily advanced depreciation facility) companies can accelerate the depreciation of the ship. Several fiscal advisors constructed several scenarios in which the participants in a CV gained more money than their investment. In order to avoid this, the motion of Bashir resulted in an advertisement code.
- Recently policymakers have implemented a new category in the tonnage tax for ships sailing more than 50.000 ton a year. According to KVNR this is more symbol politic since just a few shipping company can opt for this measure and the advantage is relatively low.

8. In which aspects do The Netherlands performed better than the rest?
    - Not taking the fiscal aspects in regard The Netherlands scored well in other location factors. The infrastructure, high skilled workers and ruling with the tax inspector are aspects which internationally are rated. Especially ruling contracts with an inspector is a considerable advantage. This give the tax payer certainty and awareness of which activities are allowed to opt for the tonnage tax regime and which aren't. In practice the tax authority is open and willing to take compromises.
    - However besides these advantages the regimes also encounter with some disadvantages.
        - No optimal use of the wage cost deduction. This should be increase to a percentage of 45%. In practice instead of the 40% deduction most of the companies only realize a deduction of 20% therefore not effective. One point of attention is that KVNR is strictly against wage subsidies.
        - Splitting the activities in transport related activities and normal activities. In practice this seems to be very difficult to realize.
        - There are also some aspects which it's very difficult to allocate. I.e. interest of the working capital. Question is whether you can relate this to tonnage regime or normal regime. At this moment this is being handled in the EU commission.

9. Is there any space to make the tax regime greener and thus more attractive?
    - KVNR does not really see any improvement of the regime when implementing a green scheme

10. Do you feel that greater harmonization of European tax schemes in shipping should be achieved? Which should or would be the role of European national shipping policies in the future?
    - Nowadays shipping companies operate in a global market where global rules should be applied. In certain sector it is favorable to have one EU scheme e.g. customs and crew legislation. However in case of a single CIT / tonnage tax in the EU countries are reluctant.

Interview with M. Arends, tax manager at PWC

1. Is the strategy to stimulate ships under the national flag a wise strategy?
    - Nowadays companies are more cost-focus and searching to the optimal flag location. However there are also other factors which might influence to choice of flag/location; the tonnage tax scheme has therefore a limited influence.
    - Companies also looked at other factor i.e. the available labor pool, the knowhow present in the market and other tax rules i.e. 30% ruling for foreigners who want to work in the NL. In these aspects the NL has a strong position.
    - By also having a well functioning regime you might attract more potential clients to opt for your regime since word of mouth might have a crucial role. Companies interact with each other and they may indirect make promotion of your scheme.
2. How much does a national flag contribute to the success and development of a maritime industry cluster?
    - The general assumption is that clusters stimulate innovation and productivity of enterprises and support new spheres of activity.
    - If one opt for this regime the company is obligated to have certain activities in the Netherlands, therefore it might positive contribute to the maritime industry cluster
3. How is it possible that although most economist agree that specific industry policies mostly do not lead to economic success, governments keep developing policies for the shipping industry?
    - No answer
4. Who are the main competitors for The Netherlands? Other EU countries or FOC?
    - Mainly FOC countries, the tax regimes in Europe don't differ much from each other and therefore shipping companies consider earlier FOC countries when relocating.
5. To what degree can "flagging- out" be an issue for The Netherlands? Could international register be considered as a solution to flagging out?
    - In practice this is not being experienced as an issue. There are little movements in the market.
6. Install crewing requirements in order to maintain the maritime knowledge i.e. the case of UK?
    - At this moment there is already a lack of adequate crew so if you implement such a rule this will not solve the problem of lack of crew
    - By implementing such a rule you might pushed you clients to opt for another flag where hiring cheaper crew is not an issue

7. In which degree are other tax incentives i.e. accelerated depreciation of ships & investment deduction being used?
    - PWC is actively present in this sector. Lastly PWC advised in the aspect of temporarily advanced depreciation facility.
    - In general the tonnage tax and the wage cost deduction are the most common in use.

8. In which aspects do The Netherlands performed better than the rest?
    - Besides some discussion point the Netherlands has a well functioning tax regime.
    - It is possible to make concessions with the Tax authority, as a tax payer this might improve the certainty.
    - However there certain aspects in which the regulation might be loosen:
        - The lock-up period of 10 years
        - The flag-requirement might be an obstacle for big shipping companies
        - Allow more activities in the tonnage tax; the offshore sector is a interesting market which might be analyzed
        - Be flexible for companies who are active in transportation and installments of plants on sea. Now there are strict borders

9. Is there any space to make the tax regime greener and thus more attractive?
    - No personal opinion on this aspect

10. Do you feel that greater harmonization of European tax schemes in shipping should be achieved? Which should or would be the role of European national shipping policies in the future?
    - Basically no country wants to loose their sovereignty (same discussion one CIT rate for the EU) but since there is a strict line of state aid one might said that the shipping policies are harmonized. Countries tend to compose their shipping policies on the border on what is categorized as state aid. The bottom border is more or less determined.

Interview with Victor Palm, tax lawyer at Heerema & partners

1. Is the strategy to stimulate ships under the national flag a wise strategy?
    - Nowadays companies are more cost-focus oriented and searching to the optimal flag location.
    - However since other maritime nations also implemented such a scheme for the Netherlands is impossible to abolish these fiscal incentives. A difference from an effective CIT of 1% to 25% might have huge consequences to the companies which might lead to relocation.
2. How much does a national flag contribute to the success and development of a maritime industry cluster?
    - First of all make a difference between big and small companies. Big companies might just choose a flag from the point of view of cost efficiency and be sure to meet the minimal requirements i.e. have a small office with on paper (officially) certain activities and decisions taking place there. In practice it's difficult to check whether such activities are really taking place there.
    - The general assumption is that clusters stimulate innovation and productivity of enterprises and support new spheres of activity

3. How is it possible that although most economist agree that specific industry policies mostly do not lead to economic success, governments keep developing policies for the shipping industry?
    - Historical perspective
    - Maintain the position of The Netherlands as a Maritime Nation
    - Strong lobby of KVNR

4. Who are the main competitors for The Netherlands? Other EU countries or FOC?
    - Mainly FOC countries, the tax regimes in Europe do not differ much from each other and therefore shipping companies consider earlier FOC countries when relocating
    - Majority of the EU countries has a flag requirement

5. Install crewing requirements in order to maintain the maritime knowledge i.e. the case of UK?
    - At this moment there is already a lack of adequate crew so if you implement such a rule this will not solve the problem of lack of crew
    - By implementing such a rule you might pushed your clients to opt for another flag where hiring cheaper crew is not an issue
    - Focus on special training i.e. LNG's and maintain the know-how in-house. Profile yourself to the outside world as having the asset of high skilled professional in this particular sector.

6. In which degree are other tax incentives i.e. accelerated depreciation of ships & investment deduction being used?
    - In case of pure shipping companies this is not the case. It is always better to choose for the tonnage if you meet the conditions

7. In which aspects do The Netherlands performed better than the rest?
    - According to Victor's research The Netherlands scored well on international level. In case of big companies applying the tonnage tax regime the effective tax rate might be 1%. Therefore one should ask whether it is better to relocate to a FOC where the comparative advantage of tax rate is just 1%.

8. Is there any space to make the tax regime greener and thus more attractive?
    - The model of Greece might serve as an example where there is a distinction between old and new vessel

9. Do you feel that greater harmonization of European tax schemes in shipping should be achieved? Which should or would be the role of European national shipping policies in the future?
    - Basically no country wants to loose their sovereignty but since there is a strict line of state aid one might said that the shipping policies are harmonized. Countries tend to compose their shipping policies on the border on what is categorized as state aid. The bottom border is more or less determined.