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THE LUXEMBOURG SHIPPING REGISTRY

CONTENTS

Overview	3
Registration Procedure	4
Tax Regime	6
List of Double Tax Treaties	8
Who to Contact	9





OVERVIEW

Luxembourg introduced its maritime registry in 1990. As a Member of the European Union offers it a quality image and is one of the cheapest Flags in Europe. Serious incorporated Maritime Operators under the supervision of its head authority the Commissariat des Affaires Maritimes, do operate the market. Luxembourg also has low Social Security charges in Europe for the Manning. The Luxembourg maritime register is not a “flag of convenience”. It is a serious, respectable flag that offers specific benefits to ship owners.

Beneath a flexible and favourable tax environment to corporations, following features are attractive for shipping companies:

- Numerous double tax treaties (List is provided towards the end of this document),
- The favourable taxation of profits,
- Indefinite carry forward of losses,
- Possible exemption from tax on capital gains,
- Tax credit on investment valid at the broad territory,
- Tonnage tax regime not applicable,
- Unlimited right of anchorage in EU waters, tax-free storage of fuel, EU flagging

Conditions	Synopsis
Authorised Activities	Maritime companies active in Buying, Selling, Chartering or Management of Ships
The Ships Manager	A Local Ships Manager in Luxembourg has to be appointed and will be representing your Company against the Administration
Classification	American Bureau of Shipping, Veritas, Det Norske Veritas, Germanischer Lloyd', Lloyd's Register, NKK, RINA
Crewing	The Captain has to be a national of an EU member state Every seaman must hold a Luxembourg Seaman's Book and have a Social Security
Tonnage	Minimum 25 tons
Age	15 years limit
Licenses	Authorisation of doing Business in Luxembourg Authorisation of the Maritime Administration



REGISTRATION PROCEDURE

The following ships may be registered in the public Luxembourg shipping register and fly the Luxembourg flag.

Ships which are owned to the extent of more than 50% by residents of the European Union or by commercial companies that have their registered office in a member state of the Union and vessels chartered or operated on a bareboat (bareboat-in) basis by such persons or companies, provided that in all such cases all or part of the management of the ship in question is carried out from Luxembourg territory.

Preset Conditions

1. The Shipping Companies

The following shipping companies may be authorised: companies whose business is the buying and selling, the chartering in and the chartering out, the management of seagoing ships, as well as the financial and commercial operations that relate directly or indirectly to such activities. The shipping company that establishes an office in Luxembourg must, before commencing its activities, be accredited by the Minister of Transports.

2. Authorised Shipping Manager

The shipping company must secure by convention the services of a person or legal entity to fulfill the duties of the company's shipping manager. This appointed manager must be accredited by the Minister of Transports. The shipping manager must reside in Luxembourg and must be able to provide evidence of his or her personal probity and professional experience.

3. Ships

The Luxembourg Maritime Act of 1990 as amended, allows the registration of all vessels of at least twenty-five tonnes which are, or are intended, to be used on a regular basis for the sea transport of persons or things, for fishing, towing or any other gainful form of shipping activity. Mega-yachts (sea-going yachts) should also be over 24 meters (loadline).

The law lays down an age limit of 15 years for an initial registration. The Minister has the power to derogate from the age limit provided that the ship has undergone significant design changes and on the condition it complies with the standards applicable to new ships laid down in international conventions to which Luxembourg is a party.



The ship must be classed by one of the following authorised classification society:

- American Bureau of Shipping
- Bureau Veritas
- Det Norske Veritas
- Germanischer Lloyd'
- Lloyd's Register
- NKK
- RINA

The ship must be subject to inspection by the Commission of Maritime Affairs or the maritime administration of a EU Member State or by one of the authorised classification societies.

4. Crews

The master shall be a national of a European Union Member State and hold a diploma awarded by a school of navigation that is recognized in Luxembourg. Derogations from this nationality requirement may be granted by virtue of a specific authorization by the Minister.

The seamen employed on a Luxembourg flagged vessel must hold a Luxembourg seamen's book and be covered by a social security.

Types of Registration

Three types of registration are provided by the Luxembourg Ship Registry:

- full registration
- bareboat-in registration
- bareboat-out registration

It is possible for an operator to register a ship in his own name without being the owner, provided he has expressly been authorised to do so by the owner of the vessel and provided he is willing to accept responsibility for the vessel and the persons sailing on the same terms as the owner would have been.

The registration certificate is valid for a renewable 2 years period.



TAX REGIME

The Luxembourg shipping regime is based on the application of a tax credit for investment, at 16% of the acquisition price, the use of which in practice enable nil taxation in Luxembourg. Furthermore, it is possible for resident companies in Luxembourg to carry forward losses indefinitely.

Income Tax

Shipping companies are exempted from the Municipal Business Tax in Luxembourg and are consequently subject to an income tax rate of 22,05%.

Net Worth Tax

In addition to the Corporation Income Tax, a net worth tax is levied at a rate 0,5%. The Net Worth Tax may be reduced in a year through the booking of a specific reserve (commitment must be made that the company will book an amount equal to five times the tax reduced for the five coming years).

Tax Credits

Shipping companies are a subject to global investment tax credit and complementary investment tax credit, which applies to other commercial companies in Luxembourg.

The granting of an investment tax credit applies to eligible investments physically used on the territory of the European Union (EU), as well as Iceland, Liechtenstein and Norway.

Even though an investment that is physically used on the territory of another country (i.e. EU or EEA) it is eligible for the investment tax credit, but still has to fulfill the other condition that the asset has to be operated in an establishment located in Luxembourg. In other words, an investment which is made by Luxembourg company and operated abroad is eligible to the investment tax credit to the extent however that the said activity or investment does not create a permanent establishment in that foreign country.

On the question of supplementary investment, the law provides for a tax credit of maximum 16% of the said investment relating to a given operating year. It applies on investment in new and used ship.

Carrying Forward of Losses

A company's trading losses may be carried forward indefinitely. Therefore, losses may be used to offset future profits.



Provisions Concerning Large-scale Repair and Maintenance Work

Provisions concerning large-scale repair and maintenance work on ships are fully deductible from tax.

Dividends, Interests and Royalties

Dividends received by a Luxembourg company and distributed by a Luxembourg or foreign subsidiary shall be exempt from tax (privilege of parent companies and subsidiaries) on the following conditions:

- the participation must have been held since the beginning of the year and for at least twelve months or there must be a commitment to hold them for one year since the date of acquisition;
- the participation must represent at least 10% of the capital of the other company, or the acquisition price must have been at least €1,200,000 (or €6,000,000 for capital gains) which is or will be held for one year;
- the company paying the dividend must be a company resident in the EU which is fully liable to local tax or a non-resident company which is subject to a comparable tax to Luxembourg income tax.

If above mentioned criteria are not met, the company is still eligible for a 50% reduction, if is a part of a shipping group, under specific conditions. In all other cases, withholding tax on dividends is 15%.

Dividends and capital gains on shares is 0%, if conditions of internal law are met.

Operating expenses and interest on loan payables are fully deductible.

Value-added Tax (VAT)

Value-added tax on shipping activities is levied, and can range from 3% to 15%, depending on the type of activities undergone. It is required for the suppliers to determine the place of their supplies, and the conditions vary based on the nature of the hiring activity. For a long-term hiring of vessels (more than 90 days continuous possession) supplied to a VAT taxable person, it is the place where client is established. If the client is non VAT taxable, the place is where the supplier is established. Short-term hiring of vessels (possession of less than 90 days), remains to be decided by the customer.

There is a VAT exception for supplies in relation to vessels for the navigation on high seas.



List of Double Tax Treaties

Belgium	Brazil	Bulgaria
Canada	China	Czech Republic
Denmark	Estonia	Finland
France	Germany	Greece
Hungary	Iceland	Indonesia
Ireland	Israel	Italy
Japan	Latvia	Lithuania
Malaysia	Malta	Mauritius
Mexico	Mongolia	Morocco
Netherlands	Norway	Poland
Portugal	Romania	Russia
San Marino	Singapore	Slovakia
Slovenia	South Africa	South Korea
Spain	Sweden	Switzerland
Thailand	Trinidad & Tobago	Tunisia
Turkey	United Kingdom	USA
Uzbekistan	Vietnam	



WHO TO CONTACT

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If you have read this document and found something that relates to your circumstances, then be assured that we are dedicated to the delivery of business solutions designed to reduce costs and maximise profits.

The consulting office for doing business in this country follows below. Should you prefer to deal with another of our offices, please visit our website at www.ocra.com for a full listing of office contact details.



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