

March 2019

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TONNAGE TAX SPECIAL REGIME & NEW SHIPS REGISTRATION FRAMEWORK

Order 72-B/2019, of 4 March 2019, sets forth the taxable income reduction mechanism applicable to Portuguese-based shipping companies, following the introduction of the tonnage tax special regime by means of Decree-Law 92/2018, of 13 November, which, in turn, introduced a special tax and contribution regime for seafarers and a simplified procedure for the registration of ships and vessels.

With the enactment of Decree-Law 92/2018, ships registration is now handled within the so-called Sole Sea Counter (*Balcão Único do Mar*), an electronic platform before which proceedings concerning the ownership and commercial registration of vessels flying the Portuguese flag and registration of seafarers must be initiated. The Sole Sea Counter aggregates services of the authorities dealing with the matters, namely the National Maritime Authority, the Directorate-General for Natural Resources, Safety and Maritime Services, and the Institute of Registries and Notaries.

Under the new tonnage-tax scheme, shipping companies are taxed on the basis of ship net tonnage, rather than the actual profits of the company. The tonnage tax regime is optional and is applicable upon taxpayer's request addressed to the General Directorate of Natural Resources, Safety and Maritime Services (*Direção Geral de Recursos Naturais, Segurança e Serviços Marítimos*). In order to benefit from the regime as from 2018, applications must be filed by the end of March 2019.

In particular, Order 72-B/2019, of 4 March 2019 sets forth a reduction of the taxable income (10% to 20%) for ships and vessels with a net tonnage above 50,000 net tonnes, depending on the amount invested on the acquisition and installation of environmental preservation and climate change effects reduction mechanisms (*green shipping*). The levels of invested amount and respective taxable income reduction are established in Schedule I of Order 72-B/2019, as follows:

- Up to € 100,000 - 10% reduction
- From € 100,001 to € 500,000 - 15% reduction
- From € 500,001 to € 1,000,000 - 17.5% reduction
- Above € 1,000,001 - 20% reduction

The eligible investments are those made in the five years prior to the filling of the request and the ones made in replacement of preexisting equipment. This Order also contains the list of requirements that the equipment acquired for protecting the environment and reduce climate change effects must fulfill in order to be eligible for this regime.