STATUTORY INSTRUMENTS

2000 No. 2303

INCOME TAX

The Tonnage Tax Regulations 2000

Made - - - -	*24th August 2000*
Laid before the House of Commons	*25th August 2000*
Coming into force	*31st August 2000*

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by paragraphs 47, 85(3), 112(7), 113(4), and 130 to 136 of Schedule 22 to the Finance Act 2000(**a**), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Tonnage Tax Regulations 2000 and shall come into force on 31st August 2000.

Interpretation

2.—(1) In these Regulations—

"corporate partner" means a company which carries on activities in partnership;

"the 1990 Act" means the Capital Allowances Act 1990(**b**);

"the paragraph 85(2)(a) amount", in relation to an asset, means the amount determined under paragraph 85(2)(a) of Schedule 22 for that asset, subject to regulation 8(2)(a), and "the paragraph 112(2) amount" and "the paragraph 113(2) amount" shall have corresponding meanings;

"qualifying expenditure" has the meaning in paragraph 135 of Schedule 22;

"Schedule 22" means Schedule 22 to the Finance Act 2000;

"Schedule 28AA" means Schedule 28AA to the Taxes Act(**c**);

"the 75% limit" has the meaning given in paragraph 37(4) of Schedule 22;

"the Taxes Act" means the Income and Corporation Taxes Act 1988(**d**).

(2) In these Regulations, the following expressions have the same meaning as in Schedule 22—

"bareboat charter terms"

"company"

"core qualifying activities"

"group" (and "member" of a group)

"leaving tonnage tax"

(**a**) 2000 c. 17.
(**b**) 1990 c. 1.
(**c**) Schedule 28AA was inserted by section 108(2) of the Finance Act 1998 (c. 36).
(**d**) 1988 c.1.

"operating (a ship)"
"qualifying company"
"qualifying ship"
"relevant shipping profits"
"ship"
"ship-related activities"
"subject to tonnage tax"
"tonnage tax company"
"tonnage tax group" (and "member" of such a group)
"tonnage tax profits"
"tonnage tax trade"

(3) References in regulation 3(3)(a) to (j) and (4) to a qualifying ship operated by a company, where the company is a member of a tonnage tax group, include references to a qualifying ship operated by another qualifying company in the same tonnage tax group.

(4) For the purposes of the definition of "arm's length provision" (regulation 3(3)(a)(ii)), where any provision is made or imposed as between a company's tonnage tax trade and other activities carried on by it, the assumptions in paragraph 59(1)(a) to (c) of Schedule 22 and paragraph 1(3) of Schedule 28AA shall apply.

Qualifying secondary activities

3.—(1) The descriptions of activity to be regarded as qualifying secondary activities shall be determined in accordance with the following paragraphs.

(2) A tonnage tax company's qualifying secondary activities means its ship-related activities, other than commercial activities which form part of the operation of a port carried on for profit, that—

(a) have a substantial connection with the company's core qualifying activities or, where the company is a member of a tonnage tax group, the core qualifying activities of another qualifying company in that group,

(b) fall within the descriptions in paragraph (3) or (4), and

(c) in the case of paragraph (3) are carried on at any level and in the case of paragraph (4) are carried on at the permitted level.

(3) The descriptions in this paragraph are—

(a) the carriage of passengers or cargo otherwise than on board a qualifying ship operated by the company, where—

(i) there is a single contract with the customer for a journey which includes a voyage on the qualifying ship, and

(ii) the transport for the remainder of the journey is purchased or obtained by the company by provision ("arm's length provision") which would have been made as between independent enterprises;

(b) administrative and insurance services which are directly related to the carriage of passengers or cargo, including under a contract described in sub-paragraph (a)(i);

(c) the embarkation and disembarkation of passengers on a qualifying ship operated by the company, and the provision of relevant facilities by the company;

(d) the provision of excursions for passengers of a qualifying ship operated by the company, where any cabin for the passenger remains available for his exclusive use;

(e) the provision of holidays, sold to the customer under a single contract, where—

(i) part of the holiday is a voyage on a qualifying ship operated by the company, and the remaining part is land-based ("the land-based part"),

(ii) the land-based part is purchased or obtained by the company at arm's length provision, and

(iii) the cost to the company of the land-based part in accordance with paragraph (ii), is less than one half of the price paid by the customer under the single contract;

(f) sales and facilities which are normally provided to customers by seagoing passenger ships, including—

(i) the provision of food or drink,

(ii) entertainment, but not betting or gambling (see paragraph (4)(b)(i)),

(iii) the sale of alcoholic beverages, perfume and tobacco, but not luxury goods (see paragraph (4)(b)(ii)),

(iv) the exchange of amounts of different currencies for personal expenditure;

(g) the loading and unloading of cargo carried on a qualifying ship operated by the company, and the provision by the company of facilities used exclusively for those purposes;

(h) the consolidation or breaking of cargo carried on a qualifying ship operated by the company, immediately before or after the voyage, where the activity is not haulage-related;

(i) the temporary placement of cargo carried on a qualifying ship operated by the company, on or at the dockside, where the activity is not part of a long-term storage operation;

(j) the rental or provision to customers of containers for goods to be carried on a qualifying ship operated by the company;

(k) activities carried on by the company in relation to a qualifying ship operated by another qualifying company in the same tonnage tax group, which would be core qualifying activities of the first-mentioned company if carried on in relation to a qualifying ship operated by that company.

(4) The descriptions and permitted levels in this paragraph are—

(a) services which, if carried out in relation to qualifying ships operated by the company, would be core qualifying activities of the company or activities of the company which would fall within the descriptions in paragraph (3), but only to the level where—

(i) the relevant staff and assets are needed by the company to carry out the company's main function, and the services are undertaken to make full use of those staff and assets, and

(ii) the services are minimal compared to the main function;

(b) (i) betting or gambling facilities normally offered to customers by seagoing passenger ships for entertainment, and

(ii) the sale to passengers on seagoing ships of luxury goods of a kind normally offered to such passengers,

but only to the level where the turnover from those activities is negligible compared to the turnover from the company's core qualifying activities.

(5) In paragraph (4)(a) "the company's main function" means the company's core qualifying activities and those of its activities which fall within the descriptions in paragraph (3).

Plant and machinery other than expensive motor cars and long-life assets—writing-down basis

4.—(1) This regulation applies to any asset mentioned in paragraph 85(2) of Schedule 22, where the provisions of Part II of the 1990 Act would have applied to the asset on the footing that the company had not been subject to tonnage tax ("the tax condition"), other than—

(a) a motor car, to which the provisions of section 34 of the 1990 Act(**a**) (expensive motor cars) would have effect on that condition, or

(b) a long-life asset, where Chapter IVA of Part II of the 1990 Act(**b**) would have applied to the capital expenditure incurred on the provision of the asset, on that condition.

(2) The written down value of the paragraph 85(2)(a) amount for the asset shall be determined by multiplying that amount by the percentage given by the table in paragraph (3).

(**a**) Section 32 was amended by section 71 of the Finance (No. 2) Act 1992 (c. 48) and section 213(5) of the Finance Act 1994 (c. 9).

(**b**) Chapter IVA was inserted by paragraph 2 of Schedule 14 to the Finance Act 1997 (c. 16).

(3) That table is as follows—

Length of qualifying holding period for the asset	*Percentage of the paragraph 85(2)(a) amount which is qualifying expenditure under Part II of the 1990 Act*
Less than or equal to 1 year	75
1 year and one day to 2 years	55
2 years and one day to 3 years	40
3 years and one day to 4 years	30
4 years and one day to 5 years	25
5 years and one day to 6 years	15
6 years and one day to 7 years	12
7 years and one day to 8 years	10
8 years and one day to 9 years	5
More than 9 years	Nil

(4) References in this regulation and regulations 5 and 6 to the qualifying holding period for an asset are references to the period between—

(a) the date on which the expenditure represented by the paragraph 85(2)(a) amount, or the part thereof, was incurred, and

(b) the date on which the company leaves tonnage tax.

Expensive motor cars—writing-down basis

5.—(1) This regulation applies to motor cars described in regulation 4(1)(a).

(2) The written down value of the paragraph 85(2)(a) amount for the motor car shall be determined in accordance with the following provisions:

Rule 1

The paragraph 85(2)(a) amount for the motor car shall be reduced by £3,000 for each complete year in the qualifying holding period, subject to Rule 2.

Rule 2

Rule 1 shall cease to apply at the end of the complete year where the paragraph 85(2)(a) amount is first reduced below £12,000, and Rule 3 shall thereafter apply to that amount as reduced at the end of that year ("the reduced amount").

Rule 3

The table in regulation 4(3) shall apply to the reduced amount, in relation to any subsequent period in the qualifying holding period, as if for the date mentioned in regulation 4(4)(a) there were substituted a reference to the end of the year mentioned in Rule 2.

Long-life assets—writing-down basis

6.—(1) This regulation applies to long-life assets described in regulation 4(1)(b).

(2) The written down value of the paragraph 85(2)(a) amount for the asset shall be determined by multiplying that amount by the percentage given by the table in paragraph (3).

(3) That table is as follows—

Length of qualifying holding period for the asset	*Percentage of the paragraph 85(2)(a) amount which is qualifying expenditure under Part II of the 1990 Act*
Less than or equal to 1 year	94
From 1 year and one day to 2 years	88
From 2 years and one day to 3 years	83
From 3 years and one day to 4 years	78
From 4 years and one day to 5 years	73
From 5 years and one day to 6 years	69
From 6 years and one day to 7 years	65
From 7 years and one day to 8 years	61
From 8 years and one day to 9 years	57
From 9 years and one day to 10 years	54
From 10 years and one day to 11 years	51
From 11 years and one day to 13 years	47
From 13 years and one day to 16 years	40
From 16 years and one day to 19 years	33
From 19 years and one day to 22 years	27
From 22 years and one day to 25 years	23
From 25 years and one day to 30 years	18
From 30 years and one day to 35 years	13
From 35 years and one day to 40 years	10
From 40 years and one day to 45 years	7
From 45 years and one day to 50 years	5
From 50 years and one day to 60 years	3
From 60 years and one day to 70 years	2
More than 70 years	Nil

Plant and machinery used for the purposes of the company's offshore activities—writing-down basis

7.—(1) This regulation applies to any asset mentioned in paragraph 110(2)(a) of Schedule 22, where—

(a) the provisions of Part II of the 1990 Act apply to the asset by virtue of paragraph 110(2) of Schedule 22, and

(b) the paragraph 112(2) amount or the paragraph 113(2) amount for the asset, as the case may be ("the relevant amount"), falls to be written down under paragraph 112(6) or 113(3) of Schedule 22.

(2) The written down value of the relevant amount shall be determined by applying regulation 4, 5 or 6, as the case may be, as if—

(a) the tax condition were omitted,

(b) for references to the paragraph 85(2)(a) amount there were substituted references to the relevant amount, and

(c) for regulation 4(4)(a) and (b) there were substituted a reference to the period mentioned in paragraph 112(6) or 113(3) of Schedule 22, as the case may be.

Adjustments to be made for capital allowance purposes to the amount of qualifying expenditure for assets where a corporate partner leaves tonnage tax

8.—(1) This regulation applies where—

(a) a corporate partner leaves tonnage tax,

(b) an asset has been used by the corporate partner for the purposes of tonnage tax activities which it carries on as a member of a partnership, and

(c) as at the beginning of the partnership chargeable period in which the corporate partner leaves tonnage tax (the beginning of which period is referred to in this regulation as "the relevant time") the asset—

(i) was partnership property of the partnership concerned, or

(ii) would have been so treated by regulation 9(2), or by section 65 of the 1990 Act if the corporate partner had not been subject to tonnage tax,

and applies to the corporate partner and all the other members of the partnership.

In this paragraph "the partnership chargeable period" means the accounting period or period of account used by the partnership in its partnership computation under section 114(1) of the Taxes Act or section 111(2) of that Act(**a**), as the case may be.

(2) In relation to any asset mentioned in paragraph (1)(b) and (c)—

(a) there shall be determined the amount for that asset which is referred to in paragraph 85(2)(a) of Schedule 22 (which amount is referred to in this regulation as "the paragraph 85(2)(a) amount" for the asset), on the assumptions—

(i) that the corporate partner left tonnage tax at the relevant time, and

(ii) (where it is not otherwise the case) that the asset was held by the corporate partner at that time; and

(b) where the asset is counted in a calculation under paragraphs (3) to (7) of this regulation, it shall not be counted again in any determination under paragraph 85(1) of Schedule 22 on the same occasion of the corporate partner leaving tonnage tax.

(3) In the following paragraphs of this regulation—

"unrelieved qualifying expenditure", in relation to an asset, means the balance of qualifying expenditure attributable to that asset that would otherwise have been carried forward under Part II of the 1990 Act, including postponed allowances attributable to that asset; and

"postponed allowances" means qualifying expenditure which is unrelieved by virtue of notice having been given under—

(a) section 30(1) of the 1990 Act (postponement or reduction of first year allowances)(**b**), or

(b) section 31(3) of that Act (postponement of writing-down allowance in respect of expenditure in single ship pool)(**c**).

(4) The unrelieved qualifying expenditure for any asset mentioned in paragraph (1)(b) and (c), so far as it is not represented by postponed allowances, that would otherwise have been carried forward as at the relevant time, shall be adjusted to the amount resulting from the calculation in paragraph (5) or (6), as the case may be.

(5) Except in the case described in paragraph (6), the calculation is—

$$(A\% \times B) + ((100\% - A\%) \times C)$$

where—

A equals the corporate partner's share (expressed as a percentage) in the partnership property of the partnership concerned at the relevant time, subject to paragraph (8);

B equals the written down value of the paragraph 85(2)(a) amount for the asset calculated by applying regulation 4, 5 or 6, as the case may be—

(a) as if for regulation 4(4)(b), there were substituted a reference to the relevant time; and

(b) on the assumptions contained in paragraph (2)(a) where applicable;

C equals the unrelieved qualifying expenditure for the asset, so far as it is not represented by postponed allowances, as at the relevant time.

(6) In a case where all the members of the partnership other than the corporate partner are—

(a) persons who (within the meaning in section 161 of the 1990 Act) are not within the charge to tax in the United Kingdom on the profits of the trade carried on in the partnership in question, or

(b) companies which are subject to tonnage tax,

the calculation is of B, which has the same meaning as in paragraph (5).

(**a**) Section 111 was substituted by section 215 of the Finance Act 1994 and amended by paragraph 1 of Schedule 7 to the Finance Act 1998 (c. 36).

(**b**) Section 30(1) was amended by paragraph 7 of Schedule 17 to the Finance Act 1990 (c. 29) and paragraph 27 of Schedule 32 to the Finance Act 1996 (c. 8).

(**c**) Section 31(3) was substituted by paragraph 28 of Schedule 21 to the Finance Act 1996.

(7) The unrelieved qualifying expenditure for any asset mentioned in paragraph (1)(b) and (c), so far as it is represented by postponed allowances, that would otherwise have been carried forward as at the relevant time (the amount of which is referred to as "D" in this paragraph), shall be reduced to the percentage of D which is represented by the following calculation—

$$(100\% - A\%) \times D$$

where A has the same meaning as in paragraph (5).

(8) Where the share of the corporate partner in the partnership property (expressed as a proportion of the whole) varied during the period—

(a) beginning on the last to occur of—

(i) the date on which the corporate partner became a member of the partnership concerned,

(ii) the date on which the corporate partner entered tonnage tax, or

(iii) the date six years before the relevant time, and

(b) ending at the relevant time,

the calculation of A in paragraphs (5) and (7) shall be made according to the average of the corporate partner's interest in the property of the relevant partnership during that period, and any necessary apportionment on a daily basis shall be made.

(9) A payment made by a corporate partner to another corporate partner in the same partnership which is compensation for any adjustment carried out under paragraphs (4) to (7)—

(a) shall not be taken into account in computing profits or losses of either company for corporation tax purposes, and

(b) shall not for any of the purposes of the Corporation Tax Acts, (within the meaning in section 831(1)(a) of the Taxes Act) be regarded as a distribution or a charge on income.

Corporate partners—modifications of the requirements for being a qualifying company (with supplementary provision relating to finance leases)

9.—(1) Paragraphs (1) to (3), (5) and (6) of this regulation prescribe modifications to the requirements for determining whether—

(a) a corporate partner operates qualifying ships within the meaning in paragraphs 16(1)(b) and 18(1) to (4) of Schedule 22, and

(b) those ships are strategically and commercially managed in the United Kingdom within the meaning in paragraph 16(1)(c) of Schedule 22.

(2) Where—

(a) a qualifying ship is owned by, or (other than by a charter described in paragraph (3)) chartered to, one or more of the members of a partnership but is not partnership property, and

(b) activities of the partnership business which, if carried on by a tonnage tax company, would be tonnage tax activities, are carried on in relation to the ship,

the ship shall be treated as if it were owned by, or chartered to, all the partners, as the case may be, and as if everything done by or to any of the partners in relation to it had been done by or to all the partners.

(3) Any charter of a ship from one or more members of the partnership to the other partners, or to the partnership, for use in the tonnage tax activities carried on in that partnership, shall be treated for the purposes of paragraph 18(4) of Schedule 22 as a charter to a person who is not a third party.

(4) A finance lease (within the meaning in section 82A of the 1990 Act(**a**)) of a qualifying ship where the lessee is one or more members of a partnership which includes a tonnage tax company as a member, or is such a partnership, and the ship is used in the tonnage tax activities which the tonnage tax company carries on as a member of the partnership, shall be treated for the purposes of Part X of Schedule 22 as if—

(a) the qualifying ship were provided (within the meaning in paragraph 89(1) of Schedule 22) to the tonnage tax company;

(**a**) Section 82A was inserted by section 47 of the Finance (No. 2) Act 1997 (c. 58).

(b) the tonnage tax company were the "lessee" for the purposes of paragraphs 98 and 99 of Schedule 22; and

(c) the references in paragraph 92 of Schedule 22 to the ship being owned by a tonnage tax company included references to the ship being owned by one or more of the partners, or by the partnership.

(5) Paragraph 16(1)(c) of Schedule 22 shall be modified as if, in relation to activities carried on by a corporate partner in a partnership, the reference to those ships were replaced with a reference to the requisite proportion of those ships.

(6) In paragraph (5) "the requisite proportion of those ships" means a proportion of those ships such that—

$$\frac{E}{F} \text{ is not less than } G$$

where—

E equals the aggregate net tonnage of all the qualifying ships which are—

(a) operated by the partners of the partnership concerned, in their capacity as such partners, and

(b) strategically and commercially managed in the United Kingdom;

F equals the aggregate net tonnage of all the qualifying ships which are operated by the partners of the partnership concerned, in their capacity as such partners; and

G equals the share of the corporate partner, expressed as a fraction, in the partnership property of the partnership concerned.

Rules for calculating the tonnage tax profits and relevant shipping profits of a corporate partner

10.—(1) Paragraph (2) applies to any corporate partner which is a tonnage tax company (but only in relation to the share of profits or losses which such a partner derives from the activities carried on in the partnership concerned).

(2) Section 114 of the Taxes Act shall apply to the profits and losses of the partnership as if the partnership were a tonnage tax company, for the purpose of calculating—

(a) the tonnage tax profits, and

(b) the relevant shipping profits (or such of the corresponding losses as fall within paragraph 3(2) of Schedule 22),

of any corporate partner to whom this paragraph applies (but not the share of profits or losses of any other partner).

(3) Where a ship falls to be counted as operated by a partnership in a calculation under paragraph (2)(a) carried out in relation to a corporate partner, it shall not be counted again in any computation of the tonnage tax profits of that corporate partner, and the same provision shall apply as between a calculation under paragraph (2)(b) and the relevant shipping profits (or relevant corresponding losses) of a corporate partner.

Ships chartered to partners—further provision relating to chartering in

11.—(1) Where a corporate partner carries on activities in partnership which include the operation of a qualifying ship, the calculation whether the 75% limit is exceeded by—

(a) that corporate partner (if it is a single company), or

(b) a group of which that corporate partner is a member, so far as the calculation relates to the corporate partner,

shall be made in accordance with this regulation.

(2) The calculation is as follows:

Step One

Find out the aggregate net tonnage of the qualifying ships that are operated by the members of the partnership concerned, in their capacity as such partners.

Step Two

Find out the proportion, in percentage terms, of the result of Step One which represents tonnage of ships which are chartered to the partners, or to the partnership, otherwise than on bareboat charter terms ("chartered in"), ignoring any such charters which are from another qualifying member of any group of which the corporate partner is also a member.

Step Three

Determine the corporate partner's share of the results of Steps One and Two according to the interests of the partners in the partnership property in the accounting period in question, expressed as a figure of net tonnage and the percentage of it which is chartered in.

Step Four

Follow Steps One to Three for each partnership of which the corporate partner is a member and aggregate the results, to arrive at a total figure of net tonnage and the percentage of it which is chartered in.

Step Five

Aggregate the results of Step Four with the results of the calculation for the purposes of paragraph 37(1)(a) or (b) of Schedule 22, as the case may be, in relation to any ships other than those which the corporate partner operates as a member of a partnership.

Step Six

Apply paragraph 37(1)(a) or (b) of Schedule 22, as the case may be, to the results of Step Five.

(3) Where the interests of the partners in the partnership property, expressed as a proportion of the whole, vary in the course of an accounting period, the interest of a corporate partner for that period shall be calculated according to the average interest of that partner during that period.

Chargeable gains: use of assets by partnerships which include corporate partners

12. Where—

(a) an asset has been used wholly and exclusively for the purposes of activities of a partnership which are (or would be, if the partnership were a tonnage tax company) tonnage tax activities;

(b) throughout the period of use of the asset as mentioned in sub-paragraph (a), there was a corporate partner member of the partnership which was also a tonnage tax company; and

(c) the asset is disposed of by that corporate partner, or by another member of a group of which that corporate partner is a member,

references in paragraph 65(1) and (3) of Schedule 22 to a tonnage tax asset, or to any time at which or period during which an asset was a tonnage tax asset, shall respectively include references to the asset and period mentioned in this regulation, and references to a period during which an asset was not a tonnage tax asset shall be construed accordingly.

Transactions not at arm's length between a partnership (where a corporate partner is a tonnage tax company) and another partner

13.—(1) Where a corporate partner which is a tonnage tax company ("the relevant company") carries on tonnage tax activities in partnership, paragraph 58 of Schedule 22 shall apply to provision made or imposed as between—

(a) the partnership, and

(b) another partner,

if the condition in paragraph (2) is satisfied, and in that event on the assumptions in paragraph (3).

(2) The condition is that the relevant company (in addition to the partner referred to in paragraph (1)(b)) is a major participant in the partnership's enterprise, within the meaning of that expression in paragraph 4(7) of Schedule 28AA(**a**).

(**a**) Schedule 28AA was inserted by section 108(2) of the Finance Act 1998 (c. 36).

(3) The assumptions are that the partnership—

(a) is a tonnage tax company, and

(b) is regarded for the purposes of paragraph 58(1)(a) of Schedule 22 as carrying on the tonnage tax trade of the relevant company, so far as that trade consists of activities carried on by the relevant company in the partnership in question.

Nick Montagu
Ann Chant

24th August 2000 Two of the Commissioners of Inland Revenue

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Tonnage Tax Regulations 2000 supplement Schedule 22 to the Finance Act 2000 ("Schedule 22") which introduced an alternative new regime ("tonnage tax") for calculating the profits of a shipping company for the purposes of corporation tax. The principal effects of these Regulations are (1) to define the activities which are to be regarded as "qualifying secondary activities" (2) to provide for the calculation of the written-down levels of qualifying expenditure for assets which will become subject to the usual capital allowances rules when a company leaves tonnage tax (3) to provide for the calculation of the written-down levels of qualifying expenditure for plant or machinery provided for a company's offshore activities, when the asset was not brought into use for those purposes immediately on the company's entry into tonnage tax and (4) to make provision applying Schedule 22 to activities which a company carries on in partnership.

Regulation 1 provides for citation and commencement, and regulation 2 for definitions.

Regulation 3 determines the descriptions and permitted levels of activities to be regarded as "qualifying secondary activities" (forming part of a tonnage tax company's "tonnage tax activities").

Regulation 4 provides for the calculation of the written-down levels of qualifying expenditure for plant and machinery held when a company leaves tonnage tax, other than expensive motor cars and long-life assets (dealt with respectively by regulations 5 and 6).

Regulation 7 provides for the calculation of the written-down levels of qualifying expenditure for plant and machinery used in a company's offshore activities.

Regulations 8 to 13 deal with the activities of corporate partners, within tonnage tax. Regulation 8 provides for adjustments to the qualifying expenditure of plant and machinery held when a corporate partner leaves tonnage tax (the broad equivalent of the written-down amounts calculated in accordance with regulations 4, 5 or 6).

Regulation 9 provides modifications for corporate partners (with supplementary provisions relating to finance leases) to the rules determining whether a company operates qualifying ships, and whether those ships are strategically and commercially managed in the United Kingdom.

Regulation 10 provides that section 114 of the Income and Corporation Taxes Act 1988 (computation of partnership profits for corporation tax) applies to a partnership which includes a corporate partner, as if the partnership were a tonnage tax company, in calculating the tonnage tax profits or relevant shipping profits of the corporate partner.

Regulation 11 provides for corporate partners a modified form of the test in paragraph 37 of Schedule 22 (the requirement that not more than 75% of fleet tonnage is chartered in).

Regulation 12 modifies paragraph 65 of Schedule 22 (Chargeable gains: disposals of assets which are or have been tonnage tax assets) in its application to disposals by corporate partners of partnerships.

Regulation 13 modifies the application of the transfer-pricing rules, as provided for in paragraph 58 of Schedule 22 (transactions not at arm's length: between tonnage tax company and another person), to a partnership which includes a corporate partner.

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