
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2000, Part III. (See end of Document for details)

SCHEDULES

SCHEDULE 22

TONNAGE TAX

PART III

QUALIFYING COMPANIES AND GROUPS

Qualifying companies and groups

- 16 (1) For the purposes of this Schedule a company is a “qualifying company” if—
- (a) it is within the charge to corporation tax,
 - (b) it operates qualifying ships, and
 - (c) those ships are strategically and commercially managed in the United Kingdom.
- (2) A “qualifying group” means a group of which one or more members are qualifying companies.

Effect of temporarily ceasing to operate qualifying ships

- 17 (1) This paragraph applies where a company temporarily ceases to operate any qualifying ships.
- It does not apply where a company continues to operate a ship that temporarily ceases to be a qualifying ship.
- (2) If the company gives notice to the Inland Revenue stating—
- (a) its intention to resume operating qualifying ships, and
 - (b) its wish to remain within tonnage tax,
- the company shall be treated for the purposes of this Schedule as if it had continued to operate the qualifying ship or ships it operated immediately before the temporary cessation.
- (3) The notice must be given not later than the date which is the filing date for the company’s company tax return for the accounting period in which the temporary cessation begins.
- “Filing date” and “company tax return” here have the same meaning as in Schedule 18 to the ^{M1}Finance Act 1998.
- (4) This paragraph ceases to apply if and when the company—
- (a) abandons its intention to resume operating qualifying ships, or
 - (b) again in fact operates a qualifying ship.

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Marginal Citations

M1 1998 c. 36.

Meaning of operating a ship

- 18 (1) A company is regarded for the purposes of this Schedule as operating any ship owned by, or chartered to, the company, subject to the following provisions.
- (2) A company is not regarded as the operator of a ship where part only of the ship has been chartered to it.

For this purpose a company is not to be taken as having part only of a ship chartered to it by reason only of the ship being chartered to it jointly with one or more other persons.

- (3) A company is not regarded as the operator of a ship that has been chartered out by it on bareboat charter terms, except as provided by the following provisions.
- (4) A company is regarded as operating a ship that has been chartered out by it on bareboat charter terms if the person to whom it is chartered is not a third party.

For this purpose a “third party” means—

- (a) in the case of a single company, any other person;
 - (b) in the case of a member of a group—
 - (i) any member of the group that is not a tonnage tax company (and does not become a tonnage tax company by virtue of the ship being chartered to it), or
 - (ii) any person who is not a member of the group.
- (5) A company is not regarded as ceasing to operate a ship that has been chartered out by it on bareboat charter terms if—
- (a) the ship is chartered out because of short-term over-capacity, and
 - (b) the term of the charter does not exceed three years.
- (6) A company is regarded as operating a ship that has been chartered out by it on bareboat charter terms if the ship—
- (a) is registered in the United Kingdom, and
 - (b) is in the service of a government department by reason of a charter by demise to the Crown,

and there is in force under section 308(2) of the ^{M2}Merchant Shipping Act 1995 an Order in Council providing for the registration of government ships in the service of that department.

In this sub-paragraph “government department” includes a Northern Ireland department.

Marginal Citations

M2 1995 c. 21.

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Qualifying ships

- 19 (1) For the purposes of this Schedule a “qualifying ship” means, subject to sub-paragraph (2), a seagoing ship of 100 tons or more gross tonnage used for—
- (a) the carriage [^{F1}by sea] of passengers,
 - (b) the carriage [^{F2}by sea] of cargo,
 - (c) towage, salvage or other marine assistance [^{F3}carried out at sea], or
 - (d) transport [^{F4}by sea] in connection with other services of a kind necessarily provided at sea.
- (2) A vessel is not a qualifying ship for the purposes of this Schedule if the main purpose for which it is used is the provision of goods or services of a kind normally provided on land.
- (3) Sub-paragraph (1) is also subject to
- [^{F5}(a)] paragraph 20 (vessels excluded from being qualifying ships);
 - [^{F6}(b)] paragraph 20A (qualifying dredgers and tugs);
 - [^{F7}(c)]
- (4) For the purposes of this paragraph a ship is a seagoing ship if it is certificated for navigation at sea by the competent authority of any country or territory.
- [^{F8}(5) For the purposes of sub-paragraph (1) “sea” does not include—
- (a) a port or harbour;
 - (b) an estuary, a tidal or other river or an inland waterway.]

Textual Amendments

- F1** Words in Sch. 22 para. 19(1)(a) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(2\)\(a\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F2** Words in Sch. 22 para. 19(1)(b) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(2\)\(b\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F3** Words in Sch. 22 para. 19(1)(c) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(2\)\(c\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F4** Words in Sch. 22 para. 19(1)(d) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(2\)\(d\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F5** Word in Sch. 22 para. 19(3) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(3\)\(a\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F6** Sch. 22 para. 19(3)(b), (c) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(3\)\(b\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))
- F7** [Sch. 22 para. 19\(3\)\(c\)](#) omitted (1.4.2022) by virtue of [Finance Act 2022 \(c. 3\)](#), [s. 25\(6\)\(11\)](#)
- F8** Sch. 22 para. 19(5) inserted (1.7.2005) by [Finance Act 2005 \(c. 7\)](#), [Sch. 7 paras. 4\(4\), 18\(1\)](#) (with [Sch. 7 paras. 19-21](#))

Vessels excluded from being qualifying ships

- 20 (1) The following kinds of vessel are not qualifying ships for the purposes of this Schedule—
- (a) fishing vessels or factory ships;
 - (b) pleasure craft;
 - (c) harbour or river ferries;

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- (d) offshore installations;
 - (e) tankers dedicated to a particular oil field;
 - [^{F9}(f) dredgers other than qualifying dredgers.]
- (2) In sub-paragraph (1)(a) “factory ship” means a vessel providing processing services for the fishing industry.
- (3) In sub-paragraph (1)(b) “pleasure craft” means a vessel of a kind whose primary use is for the purposes of sport or recreation.
- (4) In sub-paragraph (1)(c) “harbour or river ferry” means a vessel used for harbour, estuary or river crossings.
- ^{F10}(5)
- (6) For the purposes of sub-paragraph (1)(e) whether a tanker is dedicated to a particular oil field shall be determined in accordance with section 2 of the ^{M3}Oil Taxation Act 1983 (dedicated mobile assets).
- [^{F11}(7) In this Schedule “qualifying dredger” means a dredger which—
- (a) is self-propelled, and
 - (b) is constructed or adapted for the carriage of cargo;
- (but see further paragraph 20A).]

Textual Amendments

- F9** Sch. 22 para. 20(1)(f) substituted (1.7.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 5(2), 18(1) (with Sch. 7 paras. 19-21)
- F10** Sch. 22 para. 20(5) repealed (22.7.2004) (with effect in accordance with Sch. 27 para. 7(2) of the amending Act) by Finance Act 2004 (c. 12), Sch. 27 para. 7(1), Sch. 42 Pt. 2(19)
- F11** Sch. 22 para. 20(7) inserted (1.7.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 5(3), 18(1) (with Sch. 7 paras. 19-21)

Marginal Citations

- M3** 1983 c. 56.

[^{F12}Qualifying dredgers and tugs

Textual Amendments

- F12** Sch. 22 para 20A and cross-heading inserted (1.7.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 6, 18(1) (with Sch. 7 paras. 19-21)

- 20A (1) This paragraph applies where a company operates a ship in an accounting period and the ship—
- (a) is a qualifying dredger or a tug, and
 - (b) would, apart from this paragraph, be a qualifying ship.
- (2) The ship shall not be regarded as a qualifying ship operated by the company in that accounting period unless it is used for one or more of the activities mentioned in paragraph 19(1)(a) to (d) for more than 50% of its operational time.

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- (3) In this paragraph “operational time”, in relation to a ship operated by a company in an accounting period, means the time during that accounting period during which the ship is—
- (a) operated by the company, and
 - (b) used for any activity.
- (4) For the purposes of sub-paragraph (2) assisting a self-propelled vessel into or out of a port or harbour is not to be regarded as use for an activity mentioned in paragraph 19(1)(c).
- (5) For the purposes of sub-paragraph (3) any waiting time spent by a tug for the purposes of a particular activity is to be treated as time during which the tug is used for that activity.]

Power to modify exclusions

- 21 The Treasury may make provision by order amending paragraph 20 so as to add any description of vessel to, or remove any description of vessel from, the kinds of vessel that are excluded from being qualifying ships for the purposes of this Schedule.

Effect of change of use

- 22 (1) A qualifying ship that begins to be used [^{F13}for non-qualifying purposes] ceases to be a qualifying ship when it begins to be so used, subject to the following provisions.
- (2) If—
- (a) a company operates a ship throughout an accounting period of the company, and
 - (b) in that period the ship is used [^{F14}for non-qualifying purposes] on not more than 30 days,
- that use shall be disregarded in determining whether the ship is a qualifying ship at any time during that period.
- (3) In the case of an accounting period shorter than a year, the figure of 30 days in sub-paragraph (2) shall be proportionately reduced.
- (4) If a company operates a ship during part only of an accounting period of the company, sub-paragraph (2) has effect as if for “30 days”, or the number of days substituted by sub-paragraph (3), there were substituted the number of days that bear to the length of that part of the accounting period the same proportion that 30 days does to a year.
- (5) In this paragraph references to use [^{F15}for non-qualifying purposes] are to—
- (a) use for an activity other than any of the activities mentioned in paragraph 19(1)(a) to (d), or
 - (b) use as a vessel of a kind excluded by paragraph 20 from being a qualifying ship.
- [^{F16}(6) This paragraph does not apply for the purposes of sub-paragraphs (2) to (5) of paragraph 20A (qualifying dredgers and tugs).]

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Textual Amendments

F13

Words in Sch. 22 para. 22(1) substituted (7.4.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 7(2), 18(2)

F14

Words in Sch. 22 para. 22(2)(b) substituted (7.4.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 7(3), 18(2)

F15

Words in Sch. 22 para. 22(5) substituted (7.4.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 7(4), 18(2)

F16

Sch. 22 para. 22(6) inserted (7.4.2005) by Finance Act 2005 (c. 7), Sch. 7 paras. 7(5), 18(2)

F17 ...

Textual Amendments

F17

Sch. 22 paras. 22A-22F and cross-headings omitted (1.4.2022) by virtue of Finance Act 2022 (c. 3), s. 25(7)(11)

F1722A

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