

Tonnage Tax Minimum Training Commitment - Overview

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Introduction

Tonnage Tax Training Commitment

This brochure describes the system for administering the minimum training obligation (MTO) to which companies are required to commit as a pre-condition of election for the UK tonnage tax regime. It complements and provides background to the Department for Transport's (DfT) "**Application and Reporting Requirements**" which explains how to apply for and operate a tonnage tax training commitment.

Entry into tonnage tax is group-wide. In recognition that different companies within a group may have different training opportunities, the minimum training commitment may be calculated and met on a group-wide basis. The term "company" used in this context in this document therefore may be read as "company" or "group".

Summary

The main elements of the system for administering the MTO are:

- The **Core Training Commitment (CTC)**: an annual plan produced by the company, and subject to DfT approval, setting out the company's training obligation and how it will be met.
- The **End of Period Adjustment (EPA)**: a retrospective update of the minimum training obligation, made three times a year in respect of the preceding 4-month period, to account for actual training performance against the CTC and any incremental training obligation arising as a result of a net increase in the number of vessels entered in the tonnage tax regime.
- **Payments In Lieu Of Training (PILOT)**: payments made by the company to the Maritime Training Trust (MTT¹), if necessary to meet the minimum training obligation.

The Minimum Training Obligation (MTO)

Election into tonnage tax requires a commitment by the company to train or underwrite the training of sufficient UK/European Economic Area (EEA) seafarers to meet a "Minimum Training Obligation" (MTO). The MTO falls into two parts: one for officers and one for ratings, and is set out below. Companies are free to operate higher levels of training to meet their specific circumstances.

Officers

The MTO for officers is to train one officer trainee per year for every 15 deck, engineer and electro-technical officer posts of the company's effective officer complement. "Officer trainee" includes defined categories of trainee undertaking a course of training approved by the

¹ The Maritime Training Trust (MTT) is a company established by the UK Chamber of Shipping, the Nautilus International and the National Union of Rail, Maritime and Transport Workers (RMT) to hold and allocate monies contributed by companies for the purpose of promoting the training of seafarers.

Merchant Navy Training Board (MNTB) and leading to the first certificate of competency (FCC²). The MTO for companies with 15 or fewer deck and engineer officer posts will be one. This complement is calculated as the number of relevant officers entered on the Safe Manning Document (SMD) (or equivalent) for all vessels entered in the tonnage tax regime, adjusted to include back-up officer provision.

In calculating the officer MTO, every deck, engineer and electro-technical officer post entered on the SMD (or equivalent) for all vessels entered in the tonnage tax regime, adjusted to include back-up officer provision, will count. This is regardless of the nationality of the present incumbent or of the flag of the vessel.

The back-up officer provision is defined as the additional deck/engineer/electro-technical officer complement required for the vessel to be operated on an indefinite basis, allowing for leave. This provision should be based on actual leave ratios but should not be less than 50% of the total number of deck/engineer/electro-technical officers entered on the vessel SMD. Companies or vessels which do not have set leave ratios should use the 50% ratio in calculating the effective officer complement.

Certain vessels under 500gt, including tugs, may not be required to hold safe manning documents, and crewing arrangements may make no clear distinction between 'officers' and 'ratings'. In such circumstances, for the purposes of the MTO, the number of relevant (deck or engineer) officers normally should be deemed to be two.

Companies with chartered-in or chartered-out vessels entered in the tonnage tax regime normally will incur a MTO in respect of such vessels in line with the tonnage tax benefit to the company. Exceptions are vessels chartered between the companies within a tonnage tax group where the associated training obligation will attach only once to each vessel entered by the group in the tonnage tax regime (as there is only one group tax benefit per vessel).

The majority of officer trainees require three years or more to complete their FCC training. This means that, in principle, a company with a CTC of 1 per year will have 3 officer trainees for every 15 posts in its effective officer complement when it is in its third year in tonnage tax.

Table 1 below illustrates the cumulative CTC of a company with a CTC of 1 for the first four years, and a CTC of 2 in the fifth year in the tonnage tax:

TABLE 1

Year	CTC	Cumulative CTC	Number of trainees needed
1	1	1	1
2	1	2	2
3	1	3	3
4	1	3	3
5	2	4	4

² A 'first certificate of competency' (FCC) means any of the following certificates referred to in the STCW Convention: The FCC is a II/1, II/3, III/1 or III/6 certificate for Officer of the Watch/Electro Technical Officer.

Ratings

Companies should review annually at Board level the feasibility of adopting each of the ratings employment and development options. These options were agreed by the Ratings Task Force, a tripartite (industry/unions/government) group chaired by the Chamber of Shipping. This recognises that practical and competition considerations make employment and training opportunities for British ratings more sector-specific than is the case for British officers, and therefore that training obligations applying to British ratings need to contain some flexibility.

The Ratings Task Force approved the following routes for developing British ratings by recommending companies:

- Employ more British/EEA ratings;
- Employ more-highly trained British/EEA ratings in some technical posts;
- Recruit British/EEA ratings in a planned stream towards officer qualifications (the Merchant Navy Training Board (MNTB) 'Apprenticeship' scheme); and
- Assist existing British/EEA ratings to advance towards officer qualifications and posts.

From 1 October 2015, tonnage tax companies/groups have the option to recruit and train three Able Seafarer ratings each year in place of one officer trainee.

Officer Trainees: Who is Eligible?

To be eligible, trainees must meet the criteria set out below on nationality and residence, and on the type of training undertaken.

Nationality and Residence Criteria

Trainees should be:

- A UK national³, a national of another European Economic Area (EEA) State or a British citizen from the Channel Islands or Isle of Man. A 'UK national' means a British citizen, a British subject who has the right of abode in the UK or a UK Overseas Territories citizen who acquires citizenship from a connection with Gibraltar.
- 'EEA' means a national from the 27 other member states of the European Union:
 - Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.
 - Plus nationals of Iceland, Liechtenstein and Norway.
- Trainees should also be ordinarily resident in the UK.

³ For the Purpose of EU law a "UK National" means a British Citizen (excluding one from the Channel Islands or Isle of Man), a British Subject who has the right of abode in the UK and is therefore outside the scope of UK immigration control, or a UK Overseas Territories Citizen who acquires citizenship from a connection with Gibraltar.

Training Criteria

Subject to the above nationality and residence criteria being met, the following classes of individual undertaking a MNTB approved course of training towards a first certificate of competency (FCC⁴) shall qualify against the CTC:

- Cadets;
- Undergraduates;
- Graduates;
- Ratings-to-officers apprentices;
- Conversion trainees.

For ratings, subject to the above nationality and residence criteria being met, trainees undertaking an Able Seafarer certificate of proficiency⁵ shall qualify against the CTC.

Trainee Type and Length of Training

Table 2 below provides the types of trainees that can be counted towards the achievement of the CTC and the number of months they can be tracked against the CTC.

TABLE 2

Type of Trainee	Training period	Notes
Cadet / Apprentice	Tracked over 36 months	There may be occasions where a cadet may take more than 36 months to complete training. In these cases you should record the first 36 months only.
Undergraduate	Tracked over 36 months	Undergraduate training may last 4 years. You should record the first 36 months.

⁴ A 'first certificate of competency' (FCC) means any of the following certificates referred to in the STCW Convention: The FCC is a II/1, II/3, III/1 or III/6 certificate for Officer of the Watch/Electro Technical Officer.

⁵ A training course for ratings must satisfy the requirements under regulations II/4, III/5 and III/7 [of the STCW convention].

Graduate	Tracked over 24 months	<p>If graduates come from a maritime background and are likely to be fully trained in two years, they should be entered as graduates. But if they do not come from a maritime background and are likely to need three years (or more) they should be entered as cadets.</p> <p>When a graduate completes 24 months of training this discharges 1 from the CTC.</p>
Conversion trainee	Tracked over 12 months	<p>Conversion trainees are existing seafarers taking a shorter course (about one year) to achieve a FCC. They will each count as 0.5 of a trainee for the purposes of the CTC.</p> <p>When two conversion trainees have completed 10-12 months of training, this discharges 1 from the CTC.</p>
Rating trainee	Tracked over 12 months	<p>Ratings trainees are seafarers taking a shorter course (about one year) to achieve an Able Seafarer certificate of proficiency. Three AB ratings will count as one trainee for the purposes of the CTC.</p> <p>When three rating trainees have completed 10-12 months of training, this discharges 1 from the CTC.</p>

Conversion Training

FCCs may also be obtained by seafarers undertaking MNTB approved conversion training (e.g. serving merchant navy ratings, ex-RN personnel, ex-fishermen). In these cases the training input may be considerably less than for 'mainstream' (e.g. cadet, apprenticeship, graduate or undergraduate) training schemes. So 2 trainees undertaking conversion training of approximately 1-year duration may be equated with 1 'mainstream' trainee on a 2 or 3 year course. In approving companies' training commitments, DfT will consider specific conversion training proposals in the light of this yardstick.

Ratings Training

From 1 October 2015, tonnage tax companies/groups have the option to recruit and train three Able Seafarer ratings each year in place of one officer trainee. This proposal was agreed with the UK Chamber of Shipping and the Maritime trade unions. Trainees must undertake training leading to an Able Seafarer certificate of proficiency which can be obtained through a maritime apprenticeship or SMarT funded ratings training. SMarT cannot be claimed if a trainee is undertaking an apprenticeship.

Other available options

Tonnage tax companies/groups have the option to recruit and train two rating to officer conversion trainees each year in place of one trainee officer AND/OR three Able Seafarer ratings each year in place of one trainee officer.

It is possible to meet the training commitment through a combination of the above.

Cadets taking either more or fewer than 36 months to complete training

The length of training depends on the type of trainee. Cadets and undergraduates are tracked for 36 months, graduates are tracked for 24 months and conversion trainees and Able Seafarer ratings are tracked for 12 months.

There may be occasions where a cadet may take more than 36 months to complete training. In these cases a company should record the first 36 months from the date of commencement of their first certificate of competency (FCC) training.

Cadets who complete their FCC within 3 years may still be counted for a full 36 months to ensure uniformity of treatment.

Conversion trainees or ratings trainees taking more than 12 months, or less than 10 months, to complete training.

It is accepted that the duration of training will vary. Conversion trainees and ratings trainees are tracked for a maximum of 12 months and a minimum of 10 months.

The Core Training Commitment (CTC)

To implement the Minimum Training Obligation (MTO), companies will be asked to produce a Core Training Commitment (CTC) setting out their training obligation and how it will be met, as well as an End of Period Adjustment (EPA) after each period.

This two-pronged approach recognises that training plans set out in the CTC may not be realised. It also accommodates any additional training obligation arising over and above the CTC.

The CTC runs from **01 October to 30 September** each year and the **form setting out the CTC should be submitted to DfT for approval by the end of August**. For those joining tonnage tax this has to be done at or before entry into the scheme. DfT certifies to HM Revenue and Customs (HMRC) that a company under the terms of tonnage tax meets the MTO. Approved CTCs will be copied to the MTT.

The CTC should relate to all vessels expected to be entered in the tonnage tax (owned/leased/chartered-in, regardless of flag) at the date the training commitment is to come into force. It represents the minimum level of training to be provided during the year.

Timing of the training commitment

The training commitment begins on 01 October falling on or after the date on which a company begins to operate under tonnage tax. Therefore if a company begins to operate under tonnage tax on 01 October, the training commitment will begin on the same day.

If a company begins to operate under tonnage tax on a date from 02 October to 30 September, the training commitment will begin on the following 01 October.

A company does not therefore need to have their first trainees in place or to pay PILOT in periods before 01 October of their first tonnage tax training commitment year. However it is advisable that a company prepares in good time to recruit trainees so that they have trainees in place from 01 October of that year.

The timing of the CTC is designed to align with the industry's main cadet intake in September.

CTC Format

CTCs are set out in standard format (see **Application and Reporting Requirements:** <https://www.gov.uk/government/publications/tonnage-tax-training-commitment-forms>) and require the following information for each vessel within the tonnage tax regime:

- Vessel name, IMO number and Flag State
- Officer and ratings numbers by nationality group⁶
- Numbers of deck and engineer officers, based on the Safe Manning Document (SMD) (or equivalent)
- The ratio of back-up crew provision
- The effective officer complement

Approval of the CTC

On receipt of the CTC, DfT will check that it meets the criteria for the scheme and, if so, will formally approve it. DfT may consult the MNTB in considering the CTC, but DfT retains sole approval authority. DfT will aim to agree the CTC with companies within 30 days of their receipt.

Should DfT disagree with the level of training provided for on a company's CTC, the two parties will have a further 30 days to review and reach agreement on the appropriate training commitment. Should agreement not be reached within this time, DfT will set the CTC for the year. The company may request the opinion of the MTT, either during this procedure or within 30 days after DfT has set a CTC. Should the MTT find that a different level of training is appropriate, DfT will normally agree an adjustment to the training commitment. However, the final decision on whether and how to amend the training commitment will rest with DfT.

Inability to meet the CTC

Lord Alexander's Report "Independent Enquiry into a Tonnage Tax" (HMT August 1999) made reference to the facility for companies to pay a cash contribution rather than train seafarers, but made it clear that this should apply only to those companies that are unable to meet the training commitment. Lord Alexander hoped that this "opting out" should be considered only in exceptional circumstances. The Government endorsed this view on the grounds that the policy objective of increasing and rejuvenating UK maritime employment was less likely to be achieved were companies to "opt out" of training.

We prefer tonnage tax companies/groups to train or sponsor trainees rather than make PILOT payment, but it is recognised that situations may arise where some companies are unable to do so - although the option to contract-out seafarer training generally should be open. Where neither of these options are available to a company, subject to DfT agreement, the CTC shall be discharged through a **Payment In Lieu Of Training (PILOT)** to the MTT. In these

⁶ This information is required to enable DfT to comply with one of the reporting requirements imposed by the European Commission as a condition of authorising the tonnage tax regime under Community State aid rules.

circumstances, the company's CTC should explain the practical reasons why it needs to discharge its training obligation through PILOT.

Clarification on whether a training commitment is required if a company temporarily has no vessels in the fleet

If a company ceases to operate qualifying ships, but wishes to remain within the tonnage tax, they will need to confirm whether they will be relying on the temporary cessation rules in paragraph 17 of Schedule 22 to the Finance Act 2000 to remain in the tonnage tax, and if so, whether they have given notice to HMRC under that paragraph of their intention to resume operating qualifying ships and their wish to remain within tonnage tax.

Where a company relies on the temporary cessation rules to remain within tonnage tax, the CTC would normally be set at the minimum level of 1.

The End of Period Adjustment (EPA)

The End of Period Adjustment (EPA) is a retrospective update of the minimum training obligation (MTO) made three times a year (February, June and October). It accounts for actual training performance against the CTC, and for any additional training obligation arising as a result of a net increase in the number of ships operated during the preceding 4-month period.

To avoid companies having to account for short-term changes, EPA adjustments are made only in respect of vessels entered into the tonnage tax for 30 or more days in any given period where such vessels represent a net increase over the number of vessels listed in the CTC. (The 30-day criterion is not an 'allowance' to be offset against longer-term vessel additions; incremental vessels entered for 30 or more days within any one period must be accounted for on the EPA for the full time they were entered in the tonnage tax during that period.)

Action required when vessels are sold/leave the fleet after the CTC is approved There is no adjustment to be made to the CTC where vessels leave the fleet. This safeguards the level of training delivery set out in the CTC and keeps the EPA process reasonably simple.

However, if there is a significant reduction in the number of vessels entered in the tonnage tax during the course of a year (e.g. as a result of an acquisition or of a permanent withdrawal from a market sector), as an exceptional procedure, a company may apply to the Secretary of State to agree a revised CTC for the balance of the year. This can be done in writing to the Policy team in DfT responsible for the tonnage tax Minimum Training Obligation (contact details can be found on page 16). The company would need to demonstrate to the Secretary of State that there were good reasons for evoking such a procedure rather than reflecting the changed situation in the following year's CTC, as well as informing us of the precise dates when the vessels in question left the fleet.

What to do if vessels are added to the fleet

If any vessels are added to the fleet after a CTC has been approved, and are net additions to the fleet, a company will need to complete Form 8 when sending in their EPA returns to take into consideration the additional vessel(s).

Because of practical constraints on companies' ability to take on additional trainees at short notice, any shortfalls against the CTC and/or incremental training obligation arising during the course of the CTC normally will be discharged through a PILOT payment made to the MTT.

Where a company is already training more first certificate officer trainees or equivalent ratings trainees than is required under the CTC, such 'extra' trainees may be set against EPA incremental training obligations arising from net fleet expansion.

EPA Format

EPAs should be sent to DfT within 30 days of the end of each period. They are set out in standard format (see <https://www.gov.uk/government/publications/tonnage-tax-training-commitment-forms>) and show:

- Any shortfall in officer trainees against the agreed CTC during that period, whether through under-recruitment or wastage;
- Any additional training obligation arising as a result of a net increase in the number of vessels entered in the tonnage tax during that period;
- Any PILOT payment due.

Submission of EPA forms to the Department for Transport (DfT) and the Maritime Training Trust (MTT)

Companies and groups should initially send their EPA returns to DfT via e-mail at TonnageTax@dft.gov.uk, without copying them to the MTT. DfT will then check the EPA return and the PILOT calculation (if any PILOT has been calculated as being due). If the EPA return does not appear to have been completed correctly, DfT will raise queries with the company/group concerned, and ask for revised EPA Forms if appropriate. If the forms have been completed correctly, DfT will confirm and forward to the MTT.

Submitting forms by e-mail

Forms can be submitted by email with the exception of except Form 4. Companies need to send the original signed copy of Form 4 in order for their CTC to be approved.

What to do if a company forgets to complete Form 8 for additional vessels

A company should inform the Department for Transport and submit a Form 8 at that stage.

What to do if a company subsequently discovers that a trainee was not recorded in earlier periods

A company should promptly inform the Department for Transport and send revised Forms 5, 6 (if there are Conversion trainees), 6a (if there are ratings trainees), 7 and 8 (if there are net additions to the fleet), for the period in question. The Department for Transport will then inform the company of any consequences the revised forms might have for PILOT payments they have already made, and will copy the Forms to the Maritime Training Trust, who will then contact the company about making any necessary adjustment.

Accounting for Wastage

Lord Alexander's Report stated that companies would be required to adjust annual cadet recruitment targets to take account of wastage during the training of cadets recruited under the training obligation. By maintaining appropriate levels of recruitment of officer trainees or equivalent ratings trainees, companies will be able to manage their training programmes to ensure that officer trainee numbers or equivalent ratings trainees normally remain at or above the level set out in the CTC. However, should wastage bring officer or equivalent ratings trainee numbers below the CTC, the shortfall shall be made good by remittance of PILOT to the MTT.

In traditional cadet training schemes, wastage can be high and is not entirely predictable. Given the practical constraints on a company's ability to recruit a replacement cadet immediately, it would be too rigid to assess compliance with the CTC on a month by month basis. However, if too much 'averaging' were permitted (for example if any shortfall of cadets in the second half were simply offset against any surplus in the first half) the FCC output would tend to fall below the committed 1:15 ratio without the MTT receiving any PILOT to finance additional training.

This is resolved by dividing the year into 3 periods of 4-months each (see below) and assessing compliance against the CTC in terms of the number of trainee-months achieved in each period compared with the number agreed under the CTC.

Period 1: October to January

Period 2: February to May

Period 3: June to September

This is illustrated below for one year, in which (for example) the CTC is 6 and the actual number of officer trainees declines from seven in October to five by the following September. In this example the first period actual trainee numbers are above the CTC throughout, so no PILOT is payable for that period. In the second period, higher-than-CTC numbers in February and March offset shortfalls in April and May, so no PILOT is payable in that period either. In the third period, actual trainee numbers are one below the CTC each month, so PILOT would be payable for 4 trainee-months.

TABLE 3

Period 1			Period 2			Period 3		
	CTC	Actual		CTC	Actual		CTC	Actual
Oct	6	7	Feb	6	7	Jun	6	5
Nov	6	7	Mar	6	7	Jul	6	5
Dec	6	7	Apr	6	5	Aug	6	5
Jan	6	7	May	6	5	Sep	6	5
Period Total	24	28		24	24		24	20
Variance		+4			0			-4
Trainee months								

Cadet and Apprentice Training Extending Over 3 Years

The MTO is to recruit a number of officer trainees each year calculated by reference to the 1:15 officer ratio. Trainees recruited before 1 October each year are eligible to be counted as first year recruits against the CTC starting on 1 October for the balance of their first 12 months' FCC training.

In the case of cadets and MNTB Apprentices (ratings recruited for a ratings-to-officer training programme), training to FCC usually takes about 3 years. Therefore cadets and ratings-to-officers trainees will be tracked for 36 months from the date of commencement of FCC

training. Those cadets who complete their FCC within 3 years may still be counted for a full 36 months, for uniformity of treatment. Those taking longer than 36 months may only be counted for the first 36 months of their training. No training commitment tracking or other administrative requirements attach to these trainees after 36 months.

Wastage can occur throughout this 3 year period and the only way a company can overcome wastage in second and third year cadets/apprentices is by recruiting more 'first year' new entrants. Accordingly, within each 4-month period the achievement of the CTC will be assessed over the 'long view' of three 'generations' of cadets/apprentices. This means that if wastage has brought the number of (e.g.) 'third year' cadets below the CTC applicable to that year, that shortfall may be offset by 'excess' first or second year cadets.

This averaging process is illustrated below in Table 4. In this example no PILOT would be payable in this period because the shortfall in third year cadets is offset by a surplus in first year cadets.

TABLE 4

Period 'X'	CTC*	Actual
	Trainee months	
First Year Cadets (e.g. Those recruited in year 2003)	28	32
Second Year Cadets (Those recruited in year 2002)	28	28
Third Year Cadets (Those recruited in year 2001)	24	20
Cumulative for Period 1	80	80
*Note: The CTC for each 'generation' of cadet is that relevant to the year of their recruitment. In this example, the CTC was 6 in 2001 and 7 in 2002 & 2003.		

Mixed Recruitment & Training Programmes

Some companies may recruit a mix of different types of trainee, perhaps even encompassing all of the trainee categories eligible to be counted against the CTC. The CTC may be met by any combination of eligible trainee and there should be no disadvantage to a company operating on this basis. In any given period, shortfalls and excesses within the different categories of trainee may be offset against each other in calculating training commitment compliance (subject to any weighting attached to 'conversion' trainees or rating trainees). Administratively, the different types of trainee will need to be recorded separately and reconciled on the EPA summary sheet.

Clarification on whether a shortfall in the trainee months achieved in one period can be offset against a surplus achieved in another

It is not possible to do this. If too much 'averaging' were permitted, for example, if any shortfall of Cadets in Period 2 was simply offset against any surplus in Period 1, the FCC output would tend to fall below the committed 1:15 ratio without the Maritime Training Trust receiving any PILOT to finance additional training.

Calculation of Payment in Lieu of Training (PILOT)

Liability for Payment in Lieu of Training (PILOT) may arise through a failure to meet the CTC and/or by a company incurring an additional training obligation through fleet expansion.

PILOT will be assessed three times a year on the basis of the EPA prepared at the end of each 4-month period. PILOT remittances to the MTT should be made within 30 days of the end of the period.

For any 4-month period, PILOT liability is calculated on a net basis. The ability to average CTC performance across each 4-month period is described in the section on Accounting for Wastage (see above). In calculating net EPA liability, vessel disposals may be offset against additions. Finally, any eligible trainees 'surplus' to the CTC may be offset against additional training obligations. The system therefore safeguards a minimum training output based on the 1:15 ratio (in certificated trainees or in contributions to the MTT) whilst providing considerable flexibility to accommodate 'real world' imperfections in the recruitment and training market. This means that a company maintaining a reasonably good level of officer training should be able to operate its core fleet and perhaps charter in some additional vessels without incurring liability for PILOT.

The Level of PILOT Charges

The level of the PILOT is charged per officer trainee/month. PILOT contributions are index linked to the Treasury GDP deflator.

Maritime Training Trust Overhead Costs

The Chamber of Shipping and maritime trade unions have agreed that companies incurring PILOT should make an additional payment to cover the MTT's overhead costs. The level of this charge is reviewed annually.

Monitoring, Enforcement and Audit

Information Needs

Ministers are accountable to Parliament for the success of government policies and therefore DfT monitors officer and rating training delivery under the scheme. Under the European Commission Maritime State Aid Guidelines, the UK is also required to report certain data to the Commission. The MTT needs advice of companies entering and leaving the tonnage tax regime, a copy of each approved CTC, and copies of EPAs showing PILOT due. All this information is provided by:

1. The annual CTC
2. The 4-monthly EPA returns (which show any PILOT payable and therefore also serve as the 'remittance slip' for the MTT)

Paragraph 30 of Schedule 22 to the Finance Act 2000 ("the Act") makes it an offence not to make a return required by the Regulations. A person committing an offence under the Regulations is liable on summary conviction to a fine up to the statutory maximum and on indictment to an unlimited fine.

Where an EPA return has become due but has not been provided, the Secretary of State has the power, under regulation 17 of the Regulations, to determine to the best of his information and belief the amount of PILOT to be paid by the company or group.

Enforcement

Effective personnel planning and procedures can contribute substantially to a company meeting its training objectives. Nonetheless, it is recognised that recruitment and retention (particularly of cadets) involves lengthy timeframes and outturn uncertainties. Accordingly, it is not intended that a company should be surcharged or otherwise penalised for minor or short-term shortfalls against its CTC.

However, long term and significant failure by a company to comply with its CTC while remaining within the tonnage tax regime is not acceptable and will trigger enforcement action. A system of stepped surcharges is proposed to provide a financial incentive to companies to act in good faith and abide by their training obligations.

Regulation 21 of the Tonnage Tax (Training Requirement) Regulations 2000 (SI 2000 No 2129) provides that a failure to meet half of the agreed CTC over a period of a year will trigger a surcharge of 50% on the level of PILOT payable throughout the following year, unless the Secretary of State is satisfied that there are mitigating circumstances for this failure.

Failure to meet at least half of the CTC over two or more successive years will result in a surcharge of 100% on the level of PILOT applying in the third and subsequent years, unless the Secretary of State is satisfied that there are mitigating circumstances for this failure.

Consequences of failing to meet the CTC over three or more years

Should a company remain in default of its CTC obligations over three successive years, DfT will issue a notice of non-compliance, rendering that company ineligible to make a renewal election into the tonnage tax regime. The general rule would be that the company would then have to leave the regime at the end of its current election period. However, if, during that period, the company was able satisfactorily to demonstrate a commitment to meet its future training commitment obligations, DfT would have discretion to cancel the non-compliance notice. Subject to obtaining a certificate of approval for its CTC, the company would then again be eligible to seek renewal of its election into the tonnage tax regime.

Recovering debt

PILOT charges, surcharges and MTT overhead charges will be debts due to the MTT and it is intended that the MTT should be able to recover such debts together with payment of the costs or expenses incurred in recovering the debt. In principle, DfT will be prepared to act on the Trust's behalf by instigating legal action to recover debts assigned to it by the MTT.

Regulation 16 of the Tonnage Tax (Training Requirement) Regulations 2000 (SI 2000 No 2129) ("the Regulations") provides that payments in lieu of training shall be made to the MTT, and shall become due 30 days after the end of each relevant four month period.

Regulation 18 provides that any such payment which has become due but which is unpaid is a debt to the MTT. The Regulations provide for interest to be payable on the debt and permit the MTT to recover the costs or expenses of any proceedings for recovering the debt and for interest to be recoverable on such costs or expenses.

Audit Arrangements

The Secretary of State or his authorised representative has the power to examine company records to ensure that the information declared in relation to the tonnage tax training commitment is correct. Companies should ensure that they have in place suitable records and documentation to enable and facilitate this checking process. False declaration of any salient fact will be an offence.

Government SMarT Training Grants

The training commitment described in this brochure is an obligation arising from participation in the tonnage tax. Some of the trainees recruited under the CTC may be eligible for UK government training support under the Support for Maritime Training (SMarT) scheme.

However, the specific requirements of the SMarT scheme must be met and normal SMarT application procedures followed. These are set out in the Maritime and Coastguard Agency's (MCA) Marine Guidance Note 455 (M) and also MIN 486, which can be found at:

<https://www.gov.uk/government/publications/mgn-455-support-for-maritime-training-scheme-revised-arrangements#history>

<https://www.gov.uk/government/publications/min-486-m-support-for-maritime-training-additional-funds-of-up-to-3-million>

Please see contact details for information on SMarT.

Contact Details & Glossary

For enquiries on Tonnage Tax Training Commitment

<p>Mr Liam Cox Department for Transport Zone 2/33 Great Minster House 33 Horseferry Road London SW1P 4DR Tel: 07773643716 Email : TonnageTax@dft.gov.uk</p>	
<p>For enquiries on PILOT payments Maritime Training Trust (MTT) Mrs Donna Stevens Maritime Training Trust 30 Park Street London SE1 9EQ Tel: 020 7417 2840 Fax: 020 7600 1534 Email: dstevens@ukchamberofshipping.com</p>	<p>For enquiries on SMarT MaTSU SMarT helpline: 01235 753244</p>

Glossary

CTC – Core Training Commitment
 DfT – Department for Transport
 EEA – European Economic Area
 EPA – End of Period Adjustment
 FCC – First Certificate of Competency
 MCA – Maritime and Coastguard Agency
 MNTB – Merchant Navy Training Board
 MTO – Minimum Training Obligation

MTT – Maritime Training Trust
 PILOT – Payment in Lieu of Training
 RTF – Ratings Task Force
 SMC – Safe Manning Certificate
 SMD – Safe Manning Document
 SMarT – Support for Maritime Training