

UK TONNAGE TAX – POSITIVE CHANGES ANNOUNCED IN BUDGET

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The UK government's budget contained some positive news for UK tonnage tax.

"The current government has often expressed its support for the concept of tonnage tax, especially following Brexit, and has appreciated the benefits the system brings to the UK's shipping cluster."

Tonnage tax has now been in place in the UK since 2000 and has benefitted greatly from a generally consistent, stable approach from government with few legislative changes.

The current government has often expressed its support for the concept of tonnage tax, especially following Brexit, and has appreciated the benefits the system brings to the UK's shipping cluster.

The announcements in the recent budget were as welcome for repeating that message of support as for the positive changes made.

The three new measures are:

1. to allow a new "election window" to enable companies who have previously operated vessels from the UK but had chosen to stay outside of tonnage tax to now enter the regime. Companies which have previously been in tonnage tax but have exited the regime may also now consider re-entering;
2. ship managers who do not themselves operate a vessel will be allowed to enter into tonnage tax; and
3. the financial cap on expenditure by a ship lessor which can qualify for capital allowances has been increased from £80m to £200m.

Each of the above is a positive step.

For those companies already in the regime, these changes are likely to have little or no practical impact but they can be comforted by this statement from the budget papers, linking the continued success of tonnage tax to the UK's success as a maritime nation and a supplier of maritime services:

"The government...continues to recognise the importance of the UK's world-leading shipping and maritime services industries."

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We await further detail on the new election window and on any conditions that may be imposed on ship managers wishing to join the tonnage tax system. For a number of years, finance leasing of ships has been somewhat frowned upon by HMRC and it is interesting, in the context of the continued success of the French lease finance products, to see a UK government take steps to seemingly encourage lease financing of shipping assets.

Those wishing to read a little more on the background to UK tonnage tax, what it is, and why it is a good idea that we have, keep and cherish it, may like to read **this** article on the topic by the same author.

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