

# MADEIRA INTERNATIONAL SHIP REGISTRY (MAR)

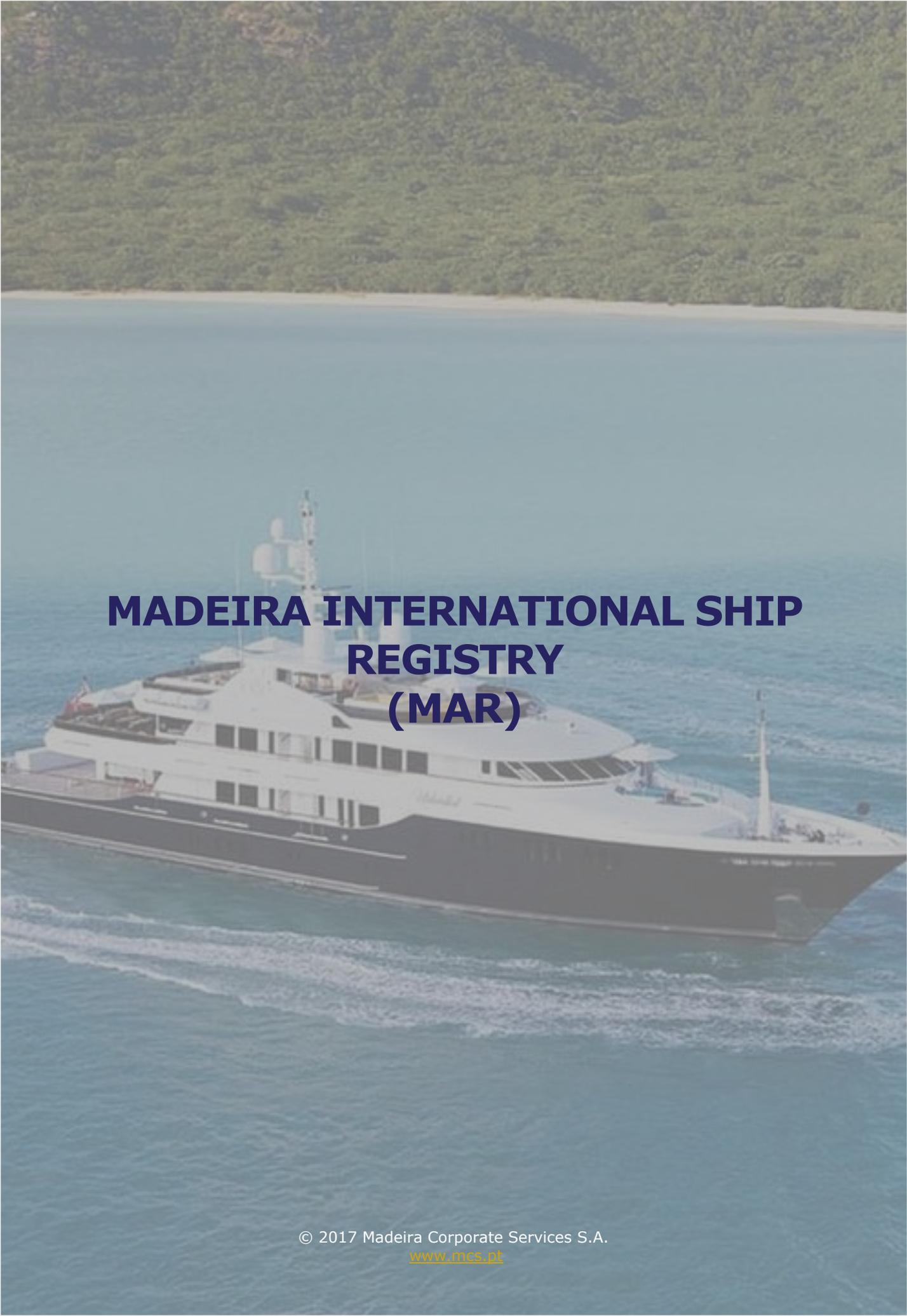
SAFEGUARDING YOUR MARITIME INTERESTS



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# **MADEIRA INTERNATIONAL SHIP REGISTRY (MAR)**

# MAR Overview

MAR allows for the registration of all type of commercial vessels (except fishing boats), commercial and pleasure yachts and oil rig platforms.

Companies, forms of partnerships, branches, agencies and legal representatives may apply to register a vessel in MAR.

All reputable Classification Societies acknowledged by Portugal are entitled to undertake surveys and other services in respect of vessel registration, namely:

- ✓ Lloyds Registry of Shipping (LRS),
- ✓ Bureau Veritas (BV), Det Norske Veritas (DNV),
- ✓ Registro Italiano Navale (RINA), American Bureau of Shipping (ABS),
- ✓ Germanischer Lloyd (GL),
- ✓ Rinave Portuguesa (RINAVE).

**The advantages and benefits associated with MAR make it the 4th biggest ship registry in Europe.**

**MAR current registered fleet surpasses 500 vessels, 11,6 million (gross) tonnage and 5000 crew members.**

# MAR Benefits

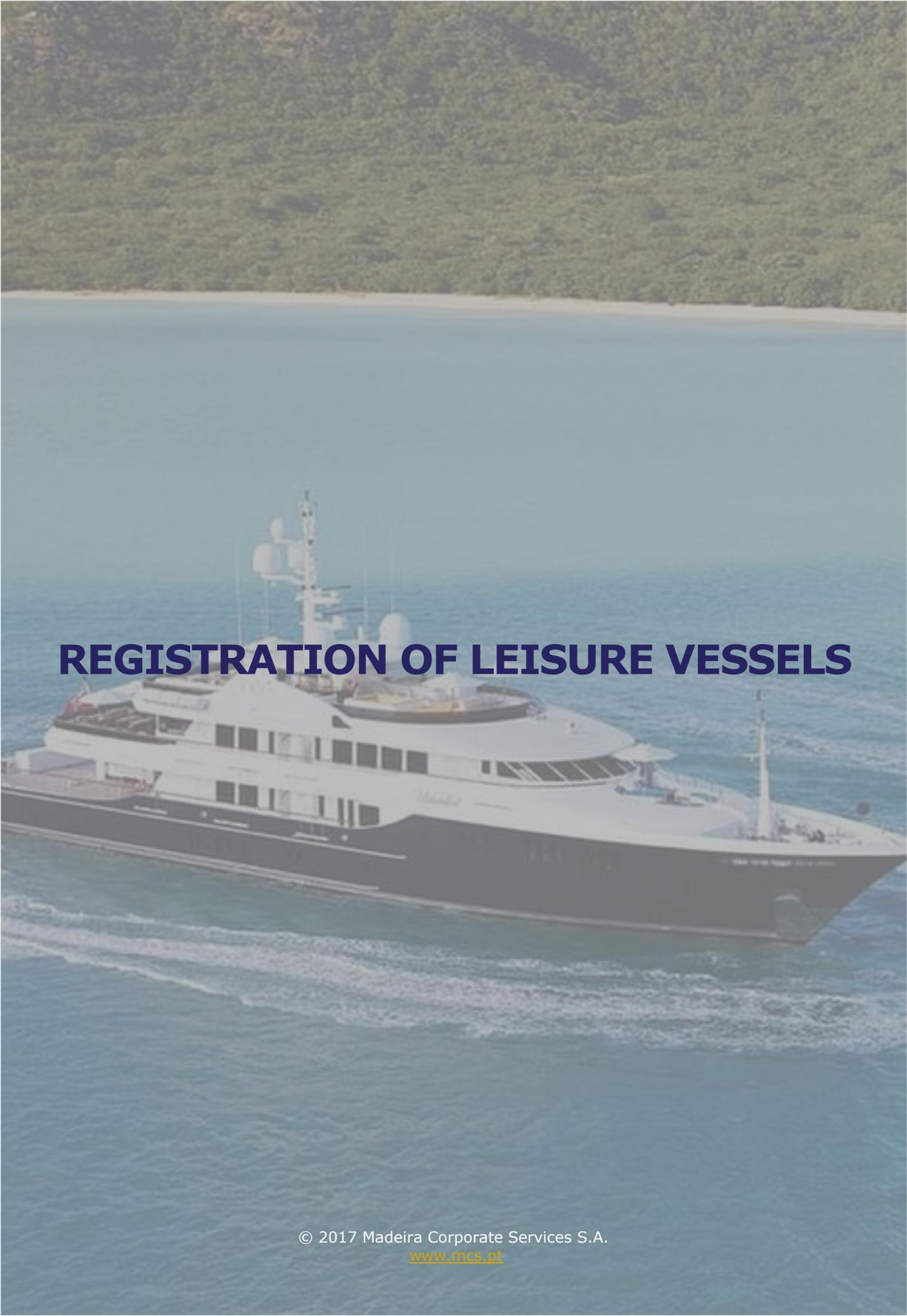
- ✓ Vessels registered in MAR may be owned and operated by a foreign company and no restrictions in respect to the nationality or residence of the owners or directors of the company apply. In case the vessel is owned by a foreign entity that entity must appoint a Portuguese representative to deal with compliance matters and be specially empowered to receive notifications and services of process in respect to the vessel(s);
- ✓ The credits secured by a shipping mortgage are considered secured credits with the right to be paid with the product of the sale of the vessel with preference to other creditors of the same debtor. As privileged credits they rank on third place just immediately after (i) the costs and legal expenses made in the common interest of the creditors and (ii) the wages due to assistance and salvation; incurred in the ship's last voyage or because of it;
- ✓ A very flexible and competitive mortgage system also applies, allowing the mortgagor and the mortgagee to choose, by written agreement in the mortgage document, the legal system of a particular jurisdiction to govern the mortgage. In the lack of such an agreement, the Portuguese mortgage law shall be applicable;
- ✓ Guarantee to the mortgagee of full payment of all credits secured by the mortgage in the event of sale to third parties of the mortgaged vessel. The third party is not able to sustain the value of the mortgaged property for an amount less than those credits;
- ✓ Exemption or reduced stamp duty applies to contracts, acts and documents (namely mortgages) whenever related to entities licensed to operate in the International scope of the IBCM, including vessels registered in MAR, depending on whether those entities (shipping companies) operate under the III or the IV Tax Regime of Incentives, as summarized below:
  - ✓ Exemption of registration fees and other registration taxes in acts related to the registration of the property, mortgages and other acts pertaining to vessels registered in MAR;
  - ✓ Competitive initial registration and annual maintenance fees for the vessels registered in MAR;
- ✓ Possibility of temporary registration in MAR of vessels under a bareboat charter, with the written authorization of the underlying register, the mortgagees and the ship owner;

# MAR Benefits

- ✓ Relative flexibility of the crew nationality requirements: only 30% of the crew must have Portuguese, European or Portuguese speaking countries nationalities ( Brazil, Angola, Mozambique, Cape Verde, S. Tomé). There are no restrictions in the remaining 70% ;
- ✓ Application to MAR of all International Maritime Conventions ratified by Portugal.

As far as social security and tax incentives applicable to shipping companies, vessels and crewmembers of vessel in MAR is concerned, we would highlight the following:

- ✓ Exemption to contribute to the Portuguese social security regime for shipping companies with vessels registered in MAR and their respective non-Portuguese crew members. These crew members shall nonetheless enjoy any type of alternative social protection regime covering illness, professional illness and parenthood.
- ✓ The wages of crews onboard of commercial vessels registered in MAR are exempt of personal income tax in Portugal.
- ✓ Madeira Shipping companies enjoy important tax benefits at the level of the Corporate Income Tax and stamp duty on financing agreements.



# REGISTRATION OF LEISURE VESSELS

# Yachts

Yachts, either for pleasure or commercial, are allowed to register in MAR. The formalities for registration differ one from the other but in all cases start with the lodging of an application form.

As is for Commercial Vessels, the Technical Commission of MAR has the power to accept or deny the registration of a yacht based on technical and legal grounds.

Yachts are subject to inspections carried out by MAR inspectors or by Classification Societies by delegation. Inspections are made at the time of the registration of the yacht and as a condition thereof and subsequently every three years for pleasure yachts and every year for commercial yachts. Dry dock inspections of commercial yachts are required every two years.

The registration and maintenance of the yachts with MAR gives rise to the payment of the respective fees to the authorities.

The crew on board commercial yachts registered in MAR will be exempt from personal income taxes and will benefit from a flexible social security regime. In fact, non-Portuguese crew members are not obliged to contribute to the Portuguese social security regime, provided that an alternative pension scheme is guaranteed.

However, the crew may choose the Portuguese voluntary social security regime or any other type of protection scheme, public or private. On the other hand, Portuguese nationals or residents in Portuguese territory shall be mandatorily covered by the general Portuguese social security regime. A total contribution rate of 2,7% will be applicable, of which 2,0% shall be borne by the employing entity and 0,7% by the employee.

There are no citizenship requirements for the crew on board the commercial yachts registered in MAR.

# VAT and Chartering

**VAT on acquisition of Non EU Yachts:** Normally, as the importation rarely occurs in Portugal, although it may be made by a Portuguese company, it would not be liable to Portuguese VAT as the yacht will not enter into Portuguese waters and shall not, assumedly, be subject to custom clearance in Portuguese/Madeira Territory. In so being VAT shall not be an issue in Portugal. The Portuguese tax authorities can, nevertheless, request an evidence of the VAT payment overseas in case of inspection.

**VAT on the acquisition of EU yachts:** Should the acquisition of the Yacht be made via a Madeiran /Portuguese company and the vessel be accounted as part of its fixed movable assets, the Regime of Intra-Community Supply of Goods should apply. In this case the Madeira Company should use the VAT reverse charge mechanism (it makes the declaration of both its purchase (input VAT) and the supplier's sale (output VAT) in its VAT return. (In this way, the two entries cancel each other from a cash payment perspective in the same return).

**Chartering of Yachts:** the Portuguese flag, being a EU community flag, is permitted by the European laws and regulations to be used within EU in chartering services. Although these services should be allowed to all EU established owners irrespectively of the flag flown by their yachts, some EU member states tend to render difficult the chartering activities by non EU flagged vessels.

The localization rules of the chartering contracts in Portugal are the same as those applicable in the majority of the European members States and VAT is a harmonized tax at the level of the Union.

In so being, short time yacht charters (those for a period not exceeding 90 days) are taxed at the country where the yacht is actually put at the disposal of the customer. As the charter normally does not start in Portugal no Portuguese VAT will be due.



# REGISTRATION FEES

# Fees for Vessels

<b>Registration Fees for Vessels = 1 800 EUR + Variable Fee (per scale)</b>	
<b>Scale</b>	<b>Fee per Scale</b>
Up to 250 Net Tons (NT)	225 EUR
From 250 NT up to 2.500 NT	0.90 EUR per NT
From 2,500 NT up to 10.000 NT	0.70 euros per NT
From 10,000 NT up to 20.000 NT	0.50 euros per NT
From 20,000 NT up to 30.000 NT	0.30 euros per NT
Above 30,000 NT	0.10 euros per NT

<b>Annual Fees for Vessels = 1 400 EUR + Variable Fee (per scale)</b>	
<b>Scale</b>	<b>Variable Fee (per scale)</b>
Up to 250 NT	200 EUR
From 250 NT up to 2.500 NT	0.80 EUR per NT
From 2,500 NT up to 20.000 NT	0.40 EUR per NT
Above 20.000 NT	0.25 EUR per NT

# Fees for Yachts

## **Pleasure yachts, registered for leisure purposes, are subject to:**

- I. An initial fee due for the registration, in the amount of 500 euros;
- II. An annual fee payable to maintain the registration of:
  - a) 500 euros for pleasure yachts between 7 and 24 meters long;
  - b) 500 euros plus 2 euros per gross ton for pleasure yachts more than 24 meters long.

## **Pleasure yachts, registered for commercial purposes, are subject to:**

- I. For the initial registration or registration renewal:
  - a) Fixed fee in the amount of 1,250 euros;
  - b) Variable fee:

Scale	Fee per Scale
Up to 250 gross tons (GT)	200 Euros
Above 250 GT	0.75 EUR per GT

- II. An annual fee payable to maintain the registration:
  - a) Fixed fee of 1,000 euros;
  - b) Variable fee, as listed above.

Yachts owned by entities licensed within the legal scope of Madeira's International Business Centre are entitled to benefit from an exemption from the initial fee for registration and up to a 20% reduction in the annual fee. Other fees will be applicable on the issue, recognition or renewal by the Technical Commission of MAR of various documents, declarations and certificates, as well as for the carrying out of inspections aboard vessels registered in MAR.



# ABOUT MCS

# About MCS

The founding of Madeira Corporate Services, S.A. (MCS) dates back to 1995 and it is part of the On.Corporate group. MCS started as a corporate service provider in the Madeira International Business Center and rapidly became one of the leading management firms. As a result of its position in the market, the quality of the services it has been providing for over a decade and full compliance with business ethics, MCS was awarded the Merit Certificate by the Concessionaire of the International Business Centre of Madeira, SDM – Sociedade de Desenvolvimento da Madeira, SA.

Within its international presence, MCS is also assisting its clients with both European and Non-European OECD tax compliant jurisdictions, thus reinforcing its international reach and scope as a global provider of management and corporate services.

MCS has always understood the absolute need for continuous legal assistance to our clients for operations carried out through our company. This legal assistance was from the very start entrusted to the Portuguese law firm: Teixeira de Freitas, Rodrigues e Associados SP RL (TFRA), our associated law firm based in Lisbon.

This advantage, essential in various sophisticated jurisdictions, has placed us in great demand by international clients and has resulted in the high standard of clients that MCS has today. They range from international groups and companies to international banking institutions and to high net-worth individuals.



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# Disclaimer

*A informação fornecida nesta brochura é de carácter genérico, pretendendo apenas ser um resumo das regras aplicáveis e do processo, tendo sido por isso efetuadas algumas simplificações. Assim, recomendamos que seja obtido aconselhamento específico antes de tomar uma decisão sobre qualquer um dos assuntos aqui tratados. Poderão também existir implicações fiscais noutros países que deverão ser acauteladas.*

The information provided in this brochure is merely a summary and has therefore been simplified. Individual advice must be obtained before acting on any of the matters covered herein. There may be tax implications in other countries as well.

*A MCS opera através de profissionais dedicados e colabora ativamente com a sua Rede de Empresas Parceiras (o "Grupo") por forma a prestar serviços consultoria fiscal, consultoria empresarial, consultoria e assistência jurídica, e outsourcing para clientes selecionados. Cada membro do Grupo oferece serviços numa determinada área geográfica e está sujeito às leis e regulamentações do(s) país(es) e/ou território(s) no(s) qual(quais) opera.*

MCS operates through dedicated professionals and cooperates with its Partnership Network Companies (the "Group") provides tax consultancy services, investment consultancy services, legal advice and assistance and outsourcing to selected clients. Each member of the Group provides services in a particular geographic area and is subject to the laws and regulations of the country(ies) and / or territory(ies) in which it operates.

*A MCS e as empresas do Grupo são entidades legais distintas e separadas, sendo por isso responsáveis somente pelos seus próprios atos ou omissões. Cada firma é estruturada diferentemente, de acordo com as leis nacionais, as regulamentações, as práticas de costume e outros fatores, assegurando a oferta de serviços profissionais nos seus territórios pelo meio legalmente mais apropriado.*

MCS and the Group's companies are separate legal entities and are therefore liable only for their own acts or omissions. Each company is structured differently, in accordance with national laws, such as regulations, customary practices and other factors, ensuring that they provide their services in accordance to their territory laws.

*Por razões regulatórias, além de outras, certas empresas do Grupo não proporcionam serviços em todas as áreas profissionais.*

For regulatory reasons, in addition to others, certain companies of the Group do not provide services in all professional areas.

*Nem a MCS, nem as empresas do Grupo têm responsabilidade sobre atos ou omissões umas das outras. Cada empresa é uma entidade jurídica própria e independente que opera em parceria com as restantes.*

Neither MCS nor the companies belonging to the Group are liable for acts or omissions of one another. Each company is a separate and independent legal entity that operates in partnership with others.





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