

Introduction to FMS and FAS

16 November 2011

Agenda

- Introduction to Faroe Maritime Services
- Introduction to FAS
- The economic's of FAS
- Minimum requirements
- The FAS registration process
- Appendices
 - Legislative Requirements to Faroese Company Office
 - IMO and STCW Requirements to Faroese Company Office
 - Faroese Shipowner's minimum wage agreements

What we do



Flagstat Consultancy
Ship Management



Brokerage Services
Agency & Marine Services



New and Second-hand Equipment
Land Based Recruitment
Projects

Services



Flagstat Consultancy

- Analysis of benefits for client
- Registration Process Coordination
- Preparing Applications for FAS
- Technical- & Crew clearance
- e-learning in maritime law



Ship Management - Administrative

- Registered Office
- Provision of Directors
- Process Agent
- Bookkeeping
- Payroll
- Crewing
- Recruitment
- Liaison to Authorities, Org. etc.



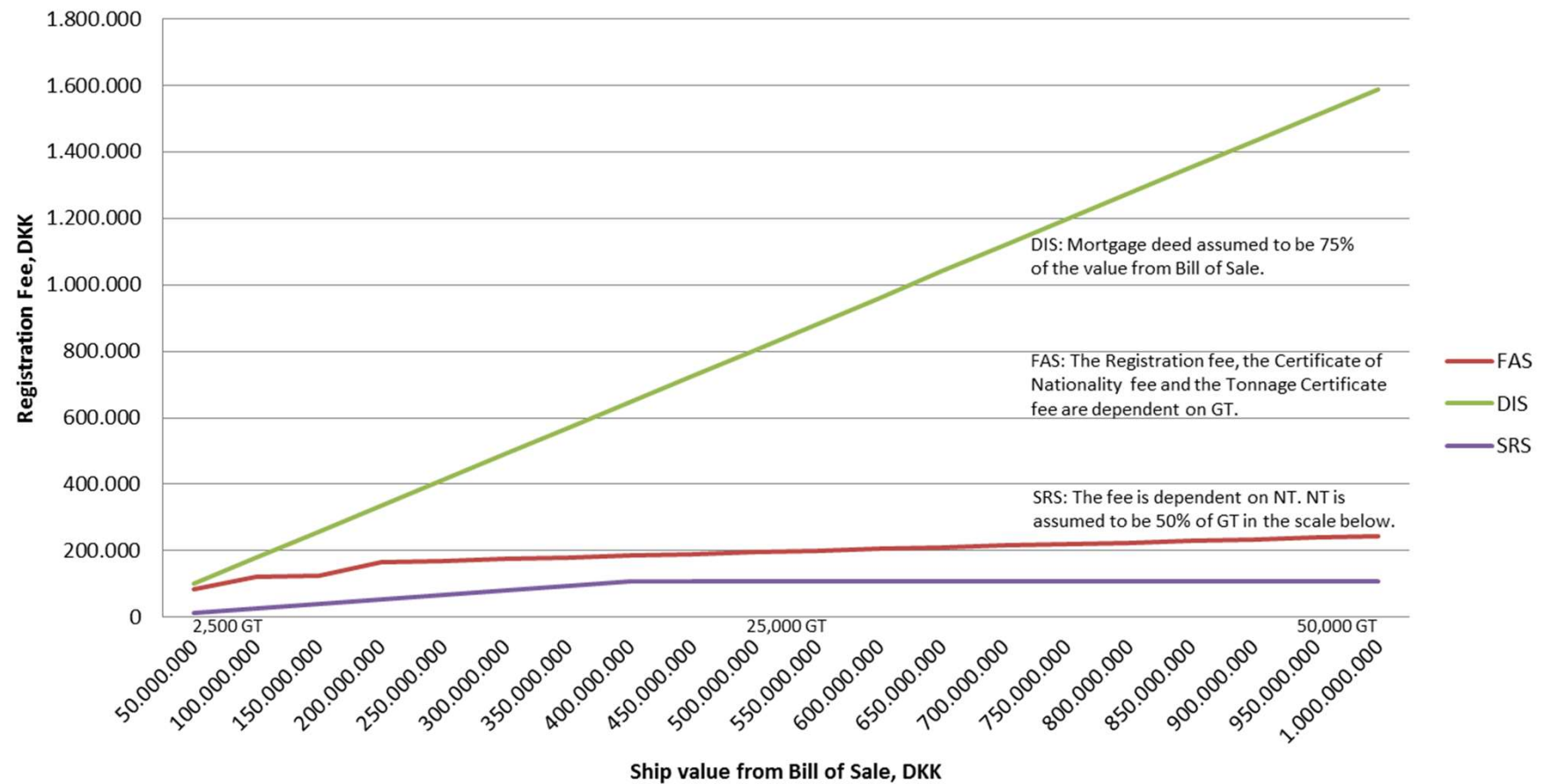
Ship Management - Technical

- Technical Management
- Project Management
- Dock Inspections
- Maritime Inspections

FAS in brief

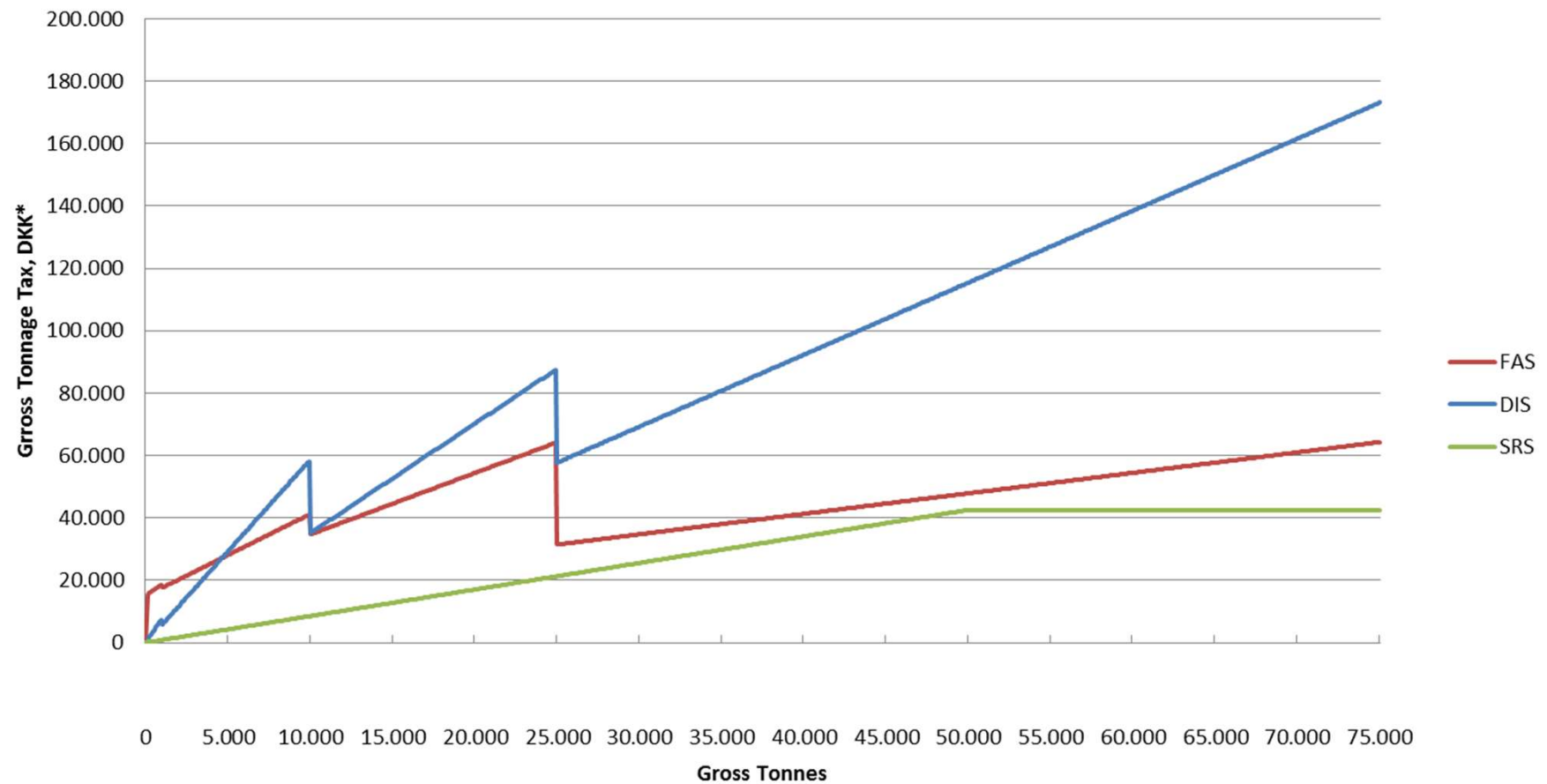
	<h3>Availability</h3> <ul style="list-style-type: none"> •Vessels over 100 GT •Age less than 20 years. •Chartered tonnage may be included •No requirement to fly the Faroese flag. •No tonnage ratio with regard to the number of Faroese flagged vessels
	<h3>Crew requirements</h3> <ul style="list-style-type: none"> •SOLAS, cpt. 5, Regulation 14 •Standards of Training, Certification and Watchkeeping (STCW) •No requirement on nationality to the captain or any of the crew members •MLC convention will apply, when in force
	<h3>Technical requirements</h3> <ul style="list-style-type: none"> •All relevant international codes and IMO and ILO conventions apply unaltered •Only few specific national requirements
	<h3>Advantages</h3> <ul style="list-style-type: none"> •Gross tax system. A 35% flat tax is levied on the crew and refunded 100% to the company •Taxation based on Net Tonnage available. •Corporate taxes 18% •No taxes on profit realized when a vessel is sold •Enrollment binding only 3 years

Registration Fees FAS, DIS and SRS



Gross Tonnage Tax - FAS v.s. DIS and SRS

Annual tax payments



Gross Taxation System, Tax Refund and Double Tax Treaties

One major advantage of FAS registration is the Gross Taxation System. Salary from shipping and related activities is taxed with a 35% withholding tax. The taxes are refunded to the employer 8 days later. According to the Double Tax Treaties between the Faroe Islands and other Countries, the employee is given a corresponding deduction in the country of residence for the faroese withheld tax. The Faroe Islands are part of the following Double Tax Treaties:

Nordics

Nordic Countries

Parliamentary Order no. 19 from 13 February 1998*

Denmark (FAS & DIS)

Parliamentary Act no. 129 from 9 December 2005**

Greenland

Parliamentary Act no. 47 from 30 March 2001

* Faroe Islands, Denmark, Finland, Iceland, Norway and Sweden

** Danish residents FAS income is not taxed at all in Denmark.

Other Countries

Indien

Danish Parliamentary Order No. 118 from 10 November 1989

Great Britain and Northern Ireland

Parliamentary Act no. 16 from 5 May 2008

Aruba

Parliamentary Act no. 182 from 22 December 2009

Bermuda

Parliamentary Act no. 182 from 22 December 2009

British Virgin Islands

Parliamentary Act no. 182 from 22 December 2009

Cayman Islands

Parliamentary Act no. 182 from 22 December 2009

Guernsey

Parliamentary Act no. 71 from 25 May 2009

Jersey

Parliamentary Act no. 71 from 25 May 2009

Isle of Man

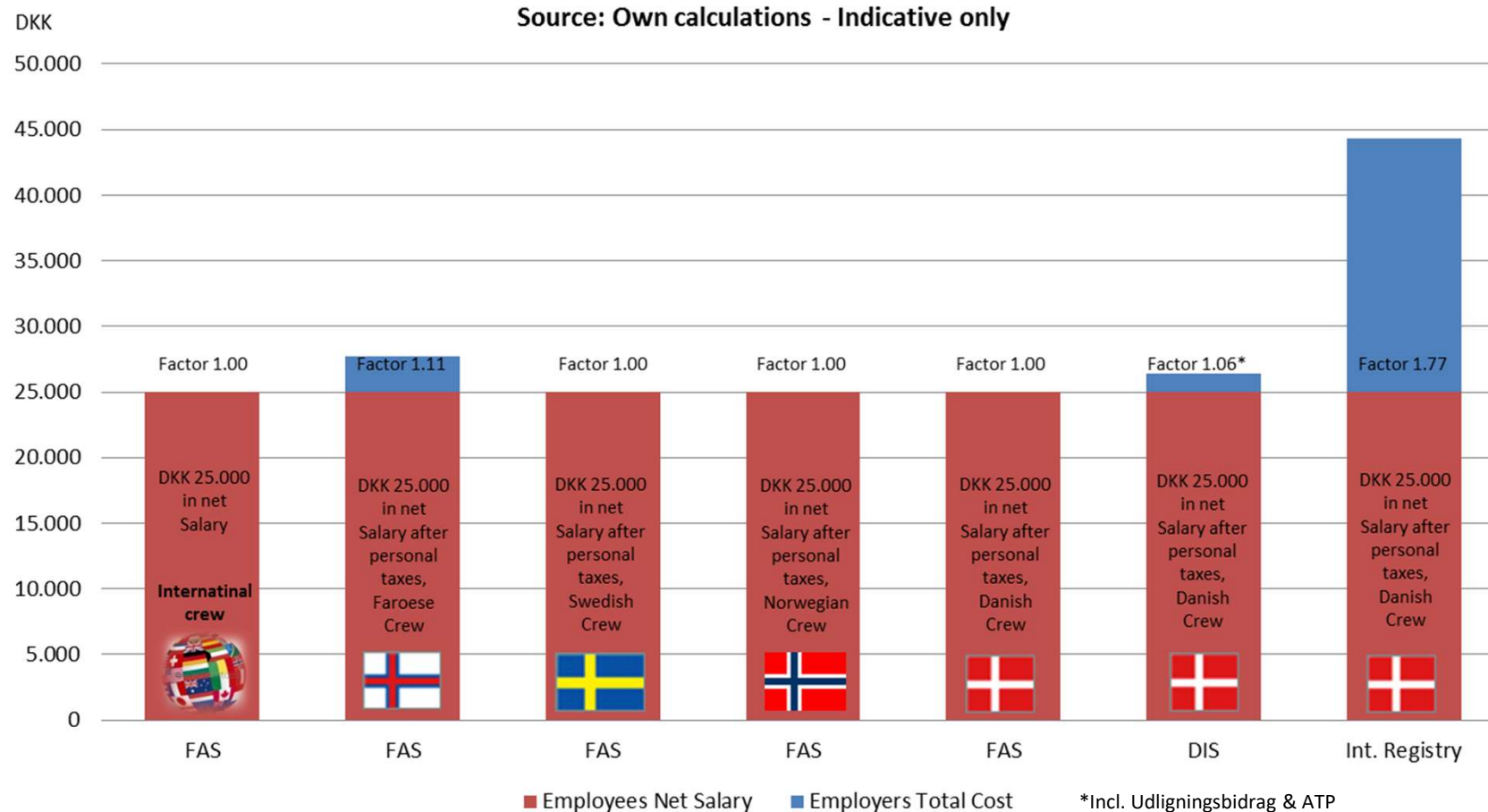
Parliamentary Act no. 60 from 10 June 2008

Schwitzerland

Parliamentary Act no. 102 from 11 November 2010

Employers total cost with constant after tax salary to employee Ships on international duty - single persons

Source: Own calculations - Indicative only

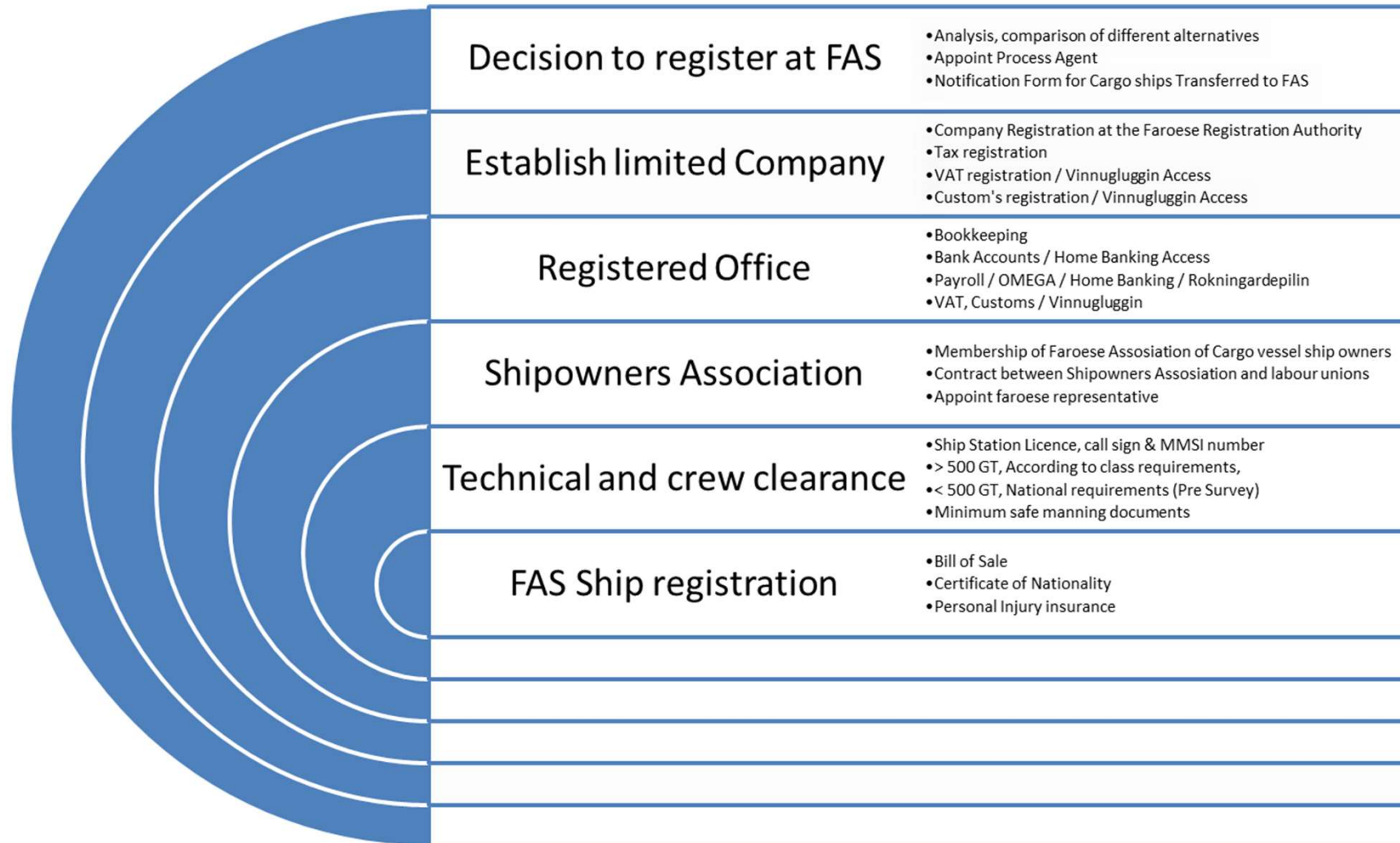


Minimum Requirements

Specific requirements (cf. Appendice 1):

- Legislative decree on minimum requirements to bookkeeping and accounting (No 22 from 27 January 1993)
- Requirements from the Tax Authorities to Companies, approved to handle FAS-payroll's (Memo from TAKS)
- Process Agent requirements, Legislative decree on Faroe Islands International Ship Register (No. 83 from 19 May 1992)
- IMO and ILO conventions apply unaltered to Companies with ships in the Faroe Islands International Ship

FAS registration process



Appendice

Minimum Requirements to bookkeeping

Legislative decree on minimum requirements to bookkeeping and accounting (No 22 from 27 January 1993)

Article 2

1. The accounting material includes:
 - 1) records, including transaction trail, see Section 4, paragraph 1,
 - 2) description of the bookkeeping, including accounting instructions pursuant to Section 10, paragraph 1,
 - 3) description of systems, aids etc., concerning the use of computers etc., see Section 10 aragraph 2 and 3,
 - 4) documents and other evidence,
 - 5) financial statements and similar statements, management statements etc., and,
 - 6) other material that is needed to substantiate the correctness of the other accounting material, see Section 4, paragraph 2.

Article 21

1. Accounting material must be stored in the Faroe Islands.
2. If the company has activities abroad, and it can be proved that the rules of the Country concerned demands, that the material is stored in that Country, however, it is sufficient that a copy or replica of the accounting material regarding these activities is kept in this country, or - unless otherwise specified by other legislation - can be obtained on request.

Process Agent Requirements

Legislative decree on Faroe Islands International Ship Register (No. 83 from 19 May 1992)

Article 5

1. When a ship is registered in the Faroe Islands International Ship Register, the shipowner is obliged to register a Process Agent, which, on the owners behalf can take on the owners duties pursuant to the Parliament Act on Faroe Islands International Ship Register and can ensure the compliance to the provisions in this Act. The Process Agent must be a faroese resident.
2. Dispensation can be obtained from the requirement in the first paragraph, if the owner of the ship is resident in the Faroe Islands. The same applies, if a Managing Director or a Director of the Board of the owning Company is faroese resident and in accordance with the Company's statutes has the legal authority to commit the Company and is responsible for the obligations of the Company under the Parliamentary Act on Faroe Islands International Ship Register.

The Process Agent is also the point of contact in relation to i.e.:

The Faroese Authorities (Taxes, VAT, Social Security)
Banks, Postal Services, Faroese Telecom
The Association of Cargo Vessel Shipowners, Labour Unions
etc. etc.

Payroll Documentation Requirements

The Tax Authorities (TAKS) require Companies, approved to handle FAS-payroll's, to store the following documents together with the payroll:

1. Employment Contract, signed by employer/captain/mate and employer. The Employment Contract must stipulate the agreed salary, date and the name of the ship.
2. Signon Document (Crew List), signed by the Captain/mate and the employee
3. Signoff Document (Crew List), signed by the Captain/mate and the employee
4. Copy of Passport
5. Copy of application for Temporary Civil Registration Number, where applicable

TAKS performs frequent unannounced Audits at Companies, approved to handle FAS-payroll's.

IMO and STCW Requirements

All the IMO and ILO conventions apply to Companies with ships in the Faroe Islands International Ship Register (FAS). The Company's faroese Registered Office must at any time have instant access to:

- ISM (International Ship Manual)
- SMS (Safety Management System)
- Bareboat charter Agreement
- Time charter Agreement
- Copy of Crew Passports
- Certificates of the crew (STCW) with faroese endorsements
- Resthours
- List of ship activities and position
- Crewlist
- Signon Document
- Signoff Document