State aid: Commission approves extension of Danish tonnage tax scheme to new types of vessels

At the same time, Denmark will amend its existing scheme to ensure that it applies only to genuine maritime shipping activities by limiting revenues from non-core activities to an acceptable level.

Commissioner Margrethe **Vestager** in charge of competition policy, said: “*Denmark’s revised tonnage tax scheme will help the shipping industry remain competitive on the global market. It will preserve jobs and promote high environmental standards in the maritime transport sector. The scheme complies with the Commission’s State aid guidelines and contains new safeguards to ensure equal treatment of European shipping companies and avoid distortions of competition.*“

Under tonnage tax schemes, maritime transport companies pay taxes on the basis of the ship tonnage (i.e. the size of the shipping fleet) rather than on the basis of their actual taxable profits. Such schemes can be approved by the Commission under EU State aid rules.

In May 2016, Denmark notified to the Commission its plans to extend its existing tonnage tax scheme to cover guard vessels, vessels servicing off-shore installations and vessels for raising, repairing and dismantling windmills as well as pipeline- and cable-laying vessels, ice management vessels and accommodation vessels.

The Commission decided today that those types of vessels are involved in maritime activities that are subject to the same legal requirements and competitive conditions as maritime transport. The Commission therefore approved the extension of the scheme to these vessels under EU State aid rules (the Commission’s 2004 Guidelines on State aid to maritime transport).

The decision also confirms that Denmark will amend certain aspects of its existing tonnage tax scheme to align it with the Commission’s current interpretation of the Guidelines on State aid to maritime transport. In this respect, in the past years, the Commission has been requesting Member States to revise their tonnage tax schemes to ensure equal treatment amongst European shipping companies and to keep pace with the evolution of the shipping sector whilst avoiding undue distortions of competition globally. In particular, Denmark will amend its tonnage tax rules as regards:

- **ancillary services** that are closely connected to shipping activities. These services will be subject to tonnage taxation only if they account for less than 50% of a ship’s total tonnage-taxed income, and

- **revenues from bare boat charter out activities** (the leasing of ships without crew). The services will be subject to tonnage taxation provided that the beneficiary self-operates at least 50% of the tonnage tax fleet and that the vessel is not leased out for a period longer than three years.

The Commission assessed the amended Danish tonnage tax scheme under its Guidelines on State aid to maritime transport and concluded that it is in line with EU State aid rules

Background

To address the risk of flagging out and relocation of shipping companies to low-tax countries outside of the EU, the Commission's 2004 Guidelines on State aid to maritime transport allow Member States to adopt measures that improve the fiscal climate for shipping companies. In this respect, the aim of the Guidelines is to encourage shipping companies to register their vessels in Europe and thus commit to Europe's high social, environmental and safety standards. The most prominent of such measures is tonnage tax, whereby shipping companies can apply to be taxed based on a notional profit or the tonnage they operate, instead of being taxed under the normal corporate tax system. Only companies that are active in maritime transport (defined as the transport of goods and persons by sea) are eligible for measures under the Guidelines on State aid to maritime transport. In addition, under the Guidelines on State aid to maritime transport, beneficiaries are required to increase and at least maintain a certain share of their fleet under an EEA flag.

Since 2004, the Commission's decision-making practice under the Guidelines on State aid to maritime transporthas further clarified the eligible transport activities and compatibility conditions to ensure that the main objectives of the Guidelines on State aid to maritime transportare met. The Commission ensures in particular that there is no spill-over of the favourable tax treatment of shipping companies into other sectors unrelated to maritime transport, that there is no discrimination against other EEA State registries, and that the aid does not exceed the ceiling set out in the Guidelines on State aid to maritime transport.

The Commission's most recent decisions concern the Swedish tonnage tax scheme (Case SA.43642), a German scheme for the reduction of social contributions for seafarers (Case SA.45258), the Lithuanian tonnage tax scheme (Case SA.45764), the Belgian tonnage tax scheme (SA.41330), the Maltese (SA.33829) and Portuguese (SA.48929) tonnage tax schemes and a Danish scheme for the reduction of income tax for seafarers (SA.46852).

The non-confidential version of the decision will be published under the case number SA.45300 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. The State Aid Weekly e-News lists new publications of state aid decisions on the internet and in the EU Official Journal.