

Revision in training fees and administrative cost recoverable from trainee officers

Tonnage Tax Circular 6 of 2005

No:TTC(6)/2005

Dated: August 26, 2005

Subject : Revision in training fees and administrative cost recoverable from trainee officers

1. Ministry of Shipping, Road Transport and Highways had issued a notification vide So No. 1436 (E) dated 30.12.2004 regarding the guidelines for providing training by the shipping companies who opt for tonnage tax scheme under section XII-G of the Income Tax Act, 1961. Para 4 of the said notification authorised the Director General of Shipping to prescribe the training fees payable by the trainee officers along with administrative fees payable by training officers and tonnage tax companies to the Maritime Training Trust.
2. Pursuant to this provision, the Director General of Shipping has issued detailed guidelines prescribing the system for administration of minimum training requirement including training fee, administrative cost and stipend vide Tonnage Tax Circular no. 2 of 2005 dated 28.01.2005. Para 14 of this circular prescribes the training fees payable by the trainee officers. Para 14 of T.T. Circular also authorises the tonnage tax companies to deposit the training fees and administrative cost themselves in case such companies do not desire to charge the training fee to the trainee officers.
3. The training commitment came into force with effect from 1st January, 2005. For the 1st three months i.e. from 1st January, 2005 to 31st March, 2005, the fees were paid to the trust by the trainee officers or by the shipping companies on behalf of such trainee officers for a total of 458 trainees.
4. In pursuance of the policy of the Directorate to provide more Indian officers to Indian and Foreign Shipping companies, the Directorate is desirous of encouraging the shipping companies to step up the numbers of trainees they can absorb. For eg. the intention of prescribing the fees to be deposited by the trainee officers which was to be refunded after serving such Indian companies for a period of 3 years was, to make available Indian officers to Indian Shipping companies as well as to encourage the Indian Shipping companies to engage more trainee officers.
5. The scheme has worked well so far. The Directorate has been discussing with the tonnage tax companies for taking various measures to enhance the training berths. INSA has suggested that para 14 of [T.T. Circular No. 2 of 2005](#) dated 28.1.2005 which prescribes the training fees should be restructured to offer incentive to the Indian ship owners to engage more trainee officers. It was further suggested that reduced levels of fees should be prescribed for the shipping companies who are willing to employ more trainee officers.
6. The suggestions given by INSA have been discussed in various Maritime Training Trust meetings in addition to internal discussions in the Directorate. In order to enhance the ship board training berths, the Director General of Shipping & Ex-officio Additional Secretary to the Govt. of India is pleased to accept the request of the INSA and other concerned Tonnage Tax companies and partially modify as indicated below the training fees stipulated in para 14 of T.T circular No. 2 of 2005 dated 28.1.2005.
 - i. Companies engaging only the minimum trainee officers as per existing commitment shall continue to be governed as per para 14 of T.T. Circular 2 of 2005 dated 28.1.2005.
 - ii. Companies who undertake to train double the minimum training commitment may pay for each candidate only 50% of the training fees prescribed in T.T. Circular 2 of 2005 dated 28.1.2005 including 50% of maximum fees prescribed
 - iii. Companies who undertake to train three times the minimum training commitment may pay for each candidate only 25% of training fees prescribed in T.T Circular 2 of 2005 in 28.1.2005 including 25% of maximum fees prescribed.

- iv. In all options, the fees can be paid directly by the trainee officers or by the shipping companies on behalf of such trainee officers as per existing practice and as provided in T.T. Circular 2 of 2005 dated 28.1.2005.
 - v. A Tonnage tax company will be allowed to pool all vessels under its ownership and / or under chartering for the purpose of engaging trainee officers.
7. Shipping companies desiring to avail the benefit of reduced training fees will have to submit in advance their choice for enhancement of training commitment for specific category between options given in para 6(ii) or 6(iii) above. The penalty amount prescribed in para 15 of T.T. Circular 2 of 2005 dated 28.1.2005 will be calculated on the basis of existing fees mentioned in para 14 of the same circular and not on the reduced level of fees applicable for enhanced training commitment as stipulated in para 6(ii) and 6(iii) above.
8. It has also been decided to reduce the level of administrative cost which is presently 10% of the total training fees which is being paid by the tonnage tax company and the trainee officer in equal proportion (5% and 5%) to 7.5% of the total training fees of which 5% will be payable by the tonnage tax company and 2.5% by the trainee officer. The reduced level of administrative cost payable by the trainee officer would apply in respect of all training fees w.e.f 1st October, 2005.

It may however be noted that where payment in lieu of training (PILOT) or penalty is to be calculated in terms of para 15 of T.T. circular no. 2 of 2005 dated 28.1.2005, the administrative cost would continue to be reckoned at 10% of the training fees receivable and not at 7.5% which is the reduced level of administrative cost applicable w.e.f 1.10.2005.

9. This Circular shall come into force for the training commitment period starting from 1st April, 2006 onwards, except for reduced level of administrative cost (refer para-8 above) which will come into force w.e.f 1st October, 2005.
10. This is issued with the approval of Director General of Shipping & Ex-officio Additional Secretary to the Govt. of India.

Sd/-

(Naresh Salecha)

Sr. Dy. Director General of Shipping