

Tonnage Tax Minimum Training Commitment:

Guidance on Application and Reporting Requirements

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Department for Transport
Great Minster House
76 Marsham Street
London SW1P 4DR
Telephone 0300 330 3000
Website www.dft.gov.uk

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Introduction

About the Tonnage Tax Training Commitment

As a condition of acceptance to the UK Tonnage Tax Scheme companies have to agree to provide training for seafarers. They will have to find or fund places for an agreed number of officer trainees according to the size of its fleet and the number of officers employed. This is called the Minimum Training Obligation (MTO). Companies will also have to consider measures to develop ratings. The term 'company' used in this information pack may be read as 'company' or 'group'.

The MTO falls into two parts, the Core Training Commitment (CTC) and the End of Period Adjustment (EPA).

The Core Training Commitment (CTC)

The CTC is an annual plan for tonnage tax companies. Each year companies need to submit forms 1-4 to the Department for Transport (DfT). Forms 1-3 set out a company's training obligation by specifying how many and what type of officer trainees they plan to recruit, and also give details of their plans for ratings. These forms, together with a completed Declaration form (Form 4) must be approved by DfT before a company can apply to HM Revenue & Customs for inclusion in tonnage tax.

The CTC should relate to all vessels expected to be entered in the tonnage tax (owned/leased/chartered-in) at the date the training commitment is to come into force. It represents the minimum level of training to be provided during the year.

The End of Period Adjustment (EPA)

The EPA is a retrospective update of the CTC. Every four months companies need to submit forms 5, 6 if applicable and 7 to DfT. These forms track trainees on a month by month basis to ensure that the original commitment continues to be met. If a company acquires or charters vessels after its CTC is approved, then form 8, which calculates any incremental training commitment should also be submitted.

Completing forms for the Tonnage Tax Training Commitment

This pack contains a step-by-step guide to filling out the forms for CTC and EPA.

There are two pathways that you can follow when completing the forms. The path you choose depends on your familiarity with the process:

- If you are new to the scheme or are not fully familiar with the tonnage tax training commitment forms then please read through the guidance notes and contact the DfT if you have any queries or would like further information.
- If you are familiar with the procedure of completing tonnage tax training commitment forms then please follow the steps in the blue boxes.

Additional Information

Forms [1 - 8](#) are available on our website.

[The Tonnage Tax Minimum Training Commitment requirements](#) should be read in conjunction with this guidance.

A Q & A sheet answering the most frequently asked questions is also available on our website. You may find it useful to read through this if you have a query regarding the tonnage tax training commitment.

The Statutory Instrument, The Tonnage Tax (Training Requirement) Regulations 2000 (SI 2000 No. 2129) is available at:

<http://www.legislation.gov.uk/ukSI/2000/2129/contents/made>

NOTE: Whilst the Statutory Instrument is still in force, the figures quoted for payments which fall to be made in lieu of training are amended year on year. The latest amendment to this figure is legislated under [The Tonnage Tax \(Training Requirement\) \(Amendment\) Regulations 2011 \(SI 2011/2185\)](#).

The figure quoted will be valid from the date stated in the Statutory Instrument. Figures for earlier years can be found by using the search function on www.legislation.gov.uk and entering the search string 'Tonnage Tax (training requirement'.

The training commitment described in this pack is an obligation arising from participation in the tonnage tax. Some of the trainees recruited under the CTC may be eligible for UK government training support under the Support for Maritime Training (SMarT) scheme. For further information on SMarT please see the Maritime and Coastguard Agency's (MCA) Marine Guidance Note 250 (M), which can be found on the MCA's website. Please see contact details for SMarT information.

1. Application for approval of a Core Training Commitment (CTC)

A summary of what information is needed for consideration of the CTC

Table 1

Forms to be submitted	1, 2, 3 and 4
Other information needed	Safe Manning Document / Certificate
When	Annually in August
Deadline for submission of forms	31 August

How to complete Forms 1, 2, 3 and 4 for the CTC

Form 1 - Core Fleet

- 1.2** Form 1 calculates the number of officer trainee places a company has to provide in order to be accepted for the tonnage tax system.

Columns 1 - 3

Please state for each vessel to be included in tonnage tax:

- The **vessel name(s)** (regardless of whether owned or chartered).
- Their **IMO numbers** (if assigned)
- Their **country of registration** (Flag State)

Column 4

For each vessel in Column 1, please state how many of your total officers including the Master, Deck and Engineer officers are either from UK, another EEA country or other non-EEA country.

- 1.3** You are asked to break these figures down by nationality, specifying whether the officers are either British, from a State within the European Economic Area (EEA) or from another State.
- 'British' includes those from the Isle of Man and Channel Islands.
 - The 'EEA' was established on 1 January 1994 and is an agreement between the member states of the European Union and the European Free Trade Association (EFTA). Excluding the United Kingdom, it will means nationals from the 26 other member states of the European Union:
 - Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.
 - Plus nationals of the EFTA (excluding Switzerland who are not members of the EEA):
 - Iceland, Liechtenstein and Norway.
- 1.4** Only those officers who hold a watchkeeping certificate should be counted (this does not include electro-technical officers, catering or entertainment officers). It is acceptable to give fleet totals only.
- 1.5** Please note that the figure required is not the number of officers on board at any one time, or the posts listed on the Safe Manning Document (we will deal with this at a later stage). What is wanted here is the total number of sea staff employed to keep the ship operational during the year in question. This of course relates to posts rather than individuals, so direct substitutions, where one officer retires or resigns and is replaced by another, should be ignored.

Column 5

For each vessel in Column 1, please state how many of your total ratings (Deck and Engine) are from the UK, another EEA country or other non-EEA country.

Column 6

Please state the number of officers as listed on the Safe Manning Document (SMD) or Safe Manning Certificate (SMC). This again means Master, Deck and Engineer officers.

- 1.6** Where a vessel under 500gt has no SMD and/or the crewing arrangements make no clear distinction between officers and ratings, the officer complement should be entered as '2'. Where a vessel has a dual certificate, you should use the manning level which applies to the vessel on 1st October of the year in question.

Column 7

For each vessel in Column 1, please state the **back-up ratio**.

- 1.7** The term 'back-up ratio' means the extra number of officers required to cover the periods of leave of those on the SMD, to keep the vessel fully operational at all times. This may be specified in contracts, or be agreed with Trade Unions, but if a company has no fixed/agreed ratio for its fleet or for particular vessels, the figure entered here should be 1.5; anything below this will not be accepted.

Column 8

For each vessel in Column 1, please calculate the **Effective Officer Complement**.

- 1.8** The term 'Effective Officer Complement' is the figure on which the training commitment will be based. As indicated on the form, it is achieved by multiplying the total of deck and engineer officers on the SMD (Column 6) by the back-up ratio (Column 7).

Calculation of CTC for Officers

Please divide the total effective officer complement by 15 to give the CTC figure.

- 1.9** The annual commitment is to train 1 officer for every 15 officer posts in your fleet. So dividing the total officer complement by 15 will result in the number of officers your company will need to train. If:
- The resulting number involves a fraction of less than a half, round it down to the nearest whole number,

- The resulting number involves a fraction of a half or more, round it up to the nearest whole number.

1.10 If, having done this calculation, you believe for any reason that it will be impossible for your company to train this number of trainees; your company will not necessarily be excluded from the scheme. There are two alternatives to providing training by your company:

- You can make an arrangement with another company to train people on your company's behalf.
- Or, in exceptional circumstances, your company can apply for approval to meet the training commitment through payments to the Maritime Training Trust (MTT) (an industry charitable body set up to promote seafarer training). The payments to the MTT are known as PILOT (payments in lieu of training). PILOT payments will be covered later on in the guidance.

Safe Manning Document / Certificate (SMDs/SMCs)

For each vessel in column 1, please provide copies of the SMDs/SMCs.

- 1.11** You do not need to send a copy of the SMD/SMC if you have previously sent a copy (which has not expired) and there is no change in detail or flag state.
- 1.12** A vessel under 500gt may not have a SMD/SMC. If this is the case then please indicate this on your covering letter/email.

Form 2 - Fulfilment of Training Commitment: Officer Trainees

- 1.13** Form 2 asks you to decide what type of trainees your company is taking on to meet the CTC.

Box A

If you are training conversion trainees then please state the number of trainees you intend to train by type.

Box B

Please state the number of trainees you intend to train to meet your CTC by category.

- 1.14** To be accepted for inclusion in the scheme, trainees must meet certain criteria relating to residence, nationality and the course being taken. They must be:
- UK nationals, nationals of another EEA State or a British citizen from the Channel Islands or Isle of Man. A 'UK national' means a British citizen, a British subject who has the right of abode in the UK or a UK Overseas Territories citizen who acquires citizenship from a connection with Gibraltar.
 - Ordinarily resident in the UK;
 - Taking a Merchant Navy Training Board (MNTB) approved course of training towards a first certificate of competency (FCC). The FCC is a II/1, II/3 or III/1 certificate for Officer of the Watch.
- 1.15** Companies will be required to sign a declaration (Form 4) stating that their officer trainees meet these criteria. The following types of trainees can be counted towards the achievement of the CTC:

Table 2

Type of Trainee	Training period	Notes
Cadet / Apprentice	Tracked over 36 months	There may be occasions where a cadet may take more than 36 months to complete training. In these cases you should record the first 36 months only.
Undergraduate	Tracked over 36 months	Undergraduate training may last 4 years. You should only record the first 36 months.
Graduate	Tracked over 24 months	If graduates come from a maritime background and are likely to be fully trained in two years, they should be entered as graduates. But if they do not come from a maritime background and are likely to need three years (or more) they should be entered as cadets.

		When a graduate completes 24 months of training this discharges 1 from the CTC.
Conversion trainee	Tracked over 12 months	<p>Conversion trainees are existing seafarers taking a shorter course (about one year) to achieve a FCC. They will each count as 0.5 of a trainee for the purposes of the CTC.</p> <p>When two conversion trainees have completed 10-12 months of training, this discharges 1 from the CTC.</p>

- 1.16** Existing seafarers who only require a few months' sea time to complete their training **cannot** be counted against the CTC.
- 1.17** The mix of trainees on Form 2 is a **declaration of intent**, but it **does not mean** that a company will have to fulfil its commitment throughout the year with exactly the mix of trainees specified.
- 1.18** It may be advisable for companies to start with a higher number of trainees than that specified in the CTC. This will allow for wastage (those trainees that fail to complete their training). If the numbers of trainees fall below the CTC then the company will have to make PILOT payments for the shortfall.

Box C

If you plan to discharge part or all of your CTC by making PILOT payments then please calculate the amount due for each period.

- 1.19** It is recognised that situations may arise where some companies are unable to provide in-house training or contract-out seafarer training.
- Where neither of these options is available you could, **subject to DfT's agreement**, discharge your CTC by making PILOT payments to the MTT (this is known as *planned PILOT*). Where the company plans to discharge part or all of its CTC by planned PILOT, it should indicate this in Box C.
- 1.20** The illustration below provides an example of how to calculate PILOT if your company plans to seek approval to meet part or all of its CTC by making PILOT payment.

Example 1

Discharging part of the CTC by PILOT payment:

The minimum number of trainees a company will need to train to meet a CTC of 10 would be 10. However, if for example, the company can only train 7 trainees, and the PILOT rate was £798 per trainee month, then it would calculate as follows:

Shortfall of CTC x PILOT rate x 4

$$3 \times £798 \times 4 = \text{£9,576}$$

Discharging all of the CTC by PILOT payment:

If a company has a CTC of 10, and wants to discharge all of its CTC by PILOT payment, the calculation is as follows:

CTC x PILOT rate x 4

$$10 \times £798 \times 4 = \text{£31,920}$$

- 1.21** The reason that the calculation is multiplied by 4 is because there are 4 months in a period. PILOT payments are made for the whole period, and not monthly.
- 1.22** The PILOT rate is index-linked to the Treasury GDP deflator. To find the current rate of PILOT please check with DfT.
- 1.23** Please note that you will need to explain to DfT, in writing, the practical reasons why your company is proposing to discharge its training obligation by making PILOT payments. **This will only be approved in exceptional circumstances.**

Form 3 - Fulfilment of Training Commitment: Ratings

- 1.24** Form 3 asks how your company is planning to implement the four recommendations made by the Ratings Task Force (RTF). These recommendations relate to recruitment and development of ratings.

Rows a - d

Please state how your company plans to meet the four recommendations of the RTF.

- 1.25** It is accepted that not all companies will be able to develop all the recommendations of the RTF. Reasons should be given if a particular option is impossible for your company.

- 1.26** Shipping companies applying for entry into tonnage tax are generally expected to try to employ more British/EEA ratings. They are required to make a commitment to try to provide opportunities for training and advancement in line with the recommendations of the RTF.
- 1.27** Companies are required to **review this annually at Board level**. After the first year of operation within the tonnage tax scheme, this form should serve the dual purpose of recording new initiatives and monitoring progress.

Form 4 - Application for Approval of a Training Commitment

- 1.28** Form 4 is the declaration form that you need to complete to confirm that the information provided in Forms 1-3 is accurate.

Form 4

The declaration in Form 4 should be completed and sent to DfT along with completed Forms 1-3.

- 1.29** Please include copies of SMDs/SMCs if you have not sent copies before. You will also need to provide copies of the SMDs/SMCs if:
- New vessels are added to the fleet (provide SMDs/SMCs for those vessels only)
 - The existing SMDs/SMCs have expired
 - There have been changes to the manning requirements for particular vessels
 - Flag States of vessels have changed.
- 1.30** The submission of Forms 1, 2, 3 and 4 form the basis of formal application for approval of a training commitment under the tonnage tax. Please note that you will need to send DfT the **original signed** copy of Form 4.

2. End of Period Adjustment (EPA) Returns

A summary of what the EPA consists of, the due dates and the deadlines

Table 3		
Forms to be submitted	5 and 7	
Other Forms (to be submitted if relevant)		
Period	Covering	Deadline
1	October - January	February
2	February - May	June
3	June - September	October

- 2.1** At the end of each Period you will need to submit the following forms to DfT and send a copy of the forms to the MTT along with any PILOT payment due:
- **Form 5 and 7** (Form 5 if trainees other than conversion trainees are being employed)
 - **Form 6** (if conversion trainees are being employed)
 - **Form 8** (if there have been net additions to the fleet since the CTC was approved)
- 2.2** You may wish to **wait for confirmation from DfT** that your forms have been correctly completed before sending copies of the forms along with any PILOT payment due to the MTT.

How to complete Forms 5, 6, 7 and 8

2.3 Form 5 tracks officer trainees during the year.

Form 5

Please provide for each trainee:

- Their **name**
- Their **start date**
- Indication of **trainee months completed** by inserting '1' in each box as appropriate.

A separate sheet should be completed for each type of trainee i.e. a separate sheet for cadets, apprentices, graduates and undergraduates.

- 2.4** A trainee who starts on the 1st day of the month is regarded as being employed in that month and a '1' should be inserted in that month's box.
- 2.5** Conversely a trainee who starts after the 1st day of the month is not regarded as being employed in that month. Therefore a '0' should be inserted in that month's box.
- 2.6** If a trainee ceases training or resigns after the 1st day of the month, they should be shown as present for that month, and thereafter be shown as '0' until the end of the year. Please leave the boxes blank if training has been completed in that period.
- 2.7** Example 2 below gives an illustration of a trainee starting on 1st day of the month and departing early. It also gives an example of a trainee starting after 1st day of the month:

Example 2

Start date on the 1st day of the month and early departure

You will see from the worked example of Form 5 that cadet Michael Roberts, who commenced training on 1st August 2008, ceased training after June 2011, and hence was recorded as '0' from July to September of 2011.

Start date after 1st day of the month

You will see from the same form as mentioned above that cadet Andrew Oliver, who commenced training on 2 February 2010, is recorded being in training from March 2011. He is recorded in March because he started training after the 1st day of February.

- 2.8** You may wish to **record trainees in chronological order**, starting with your original trainees under CTC first and record the latest trainees last. This would enable your company to instantly recognise those that are due to complete training or have completed their training and/or help your company to plan accurately future recruitment levels.

Start Date before October

- 2.9** The year your company enters the tonnage tax, you may count against the CTC any 'first year' trainee taken on within the 12 months up to 1st October (i.e. from 2nd October of the previous year). This recognises that companies may operate established recruitment patterns and it may not be appropriate or feasible to recruit the full CTC complement to all begin together as of 1st October.
- 2.10** After recording the start date of these trainees in the second column they should only be tracked on this form until the end of their first year i.e. a trainee who had started on the 1st of the preceding June should only be shown here until the following May. Thereafter a zero should be entered in the relevant boxes. The trainee may again be counted against the CTC from 1st October of the following year.

Form 6 - Tracking Conversion Trainees against CTC Tables

- 2.11** Form 6 is used to track conversion trainees during the year.

Form 6

Please provide for each conversion trainee:

- Their **name**
- Their **start date**
- Indication of **trainee months completed** by inserting '1' in each box as appropriate.

- 2.12** The procedure for Form 6 is the same as Form 5, but you need to divide the total trainee months achieved for each period by 2 and round down to the nearest whole figure. This is because, for the purpose of the CTC, a conversion trainee counts as 0.5 of a mainstream trainee. Conversion trainees are tracked against the CTC for one year.

Form 7 - Performance against CTC

2.13 Form 7 shows the actual number of trainee months achieved by a company during each Period.

Box A

- In **Row 1** please state your company's **cumulative** CTC.
- In **Row 2** please multiply your cumulative CTC (Row 1) by 4.
- In **Row 3** please state the total trainee months achieved as shown in Box B (details below)
- In **Row 4** Please subtract cumulative CTC trainee months (Row 2) from total trainee months achieved (Row 3).

2.14 Your cumulative CTC will depend on how long you have been in tonnage tax. Please see Example 3 below:

Example 3

Year in Tonnage Tax	CTC for the Year	Cumulative CTC
First Year	2	2
Second Year	3	5
Third Year	3	8

2.15 Your training commitment is a three-year cycle hence in the third and subsequent years you will add the current year's CTC with the CTC agreed in the previous two years. Please note that the cumulative CTC may be reduced as a result of graduates or conversion trainees completing their training (as indicated in bold in Table 2, above). DfT will confirm any consequent reduction by writing to your company.

Box B

Please state the number of months completed by each type of trainee your company has employed as stated in Form 5 (and Form 6 where applicable)

2.16 Remember that the total of conversion trainee months achieved is divided by two and **rounded down** to the nearest whole number.

Box C

If there is a shortfall in trainee months in Box A Row 4 then please complete Box C by calculating the PILOT payment due as a result of the shortfall in trainee months in the Period.

- 2.17** The level of PILOT is index-linked to the Treasury GDP deflator. Please check the latest PILOT rate with the DfT.

Form 8 - Vessels added (acquired or chartered in) during the Period

- 2.18** Form 8 should only be completed where a company has made net additions to its fleet after 1st October (either by acquisition or charter) i.e. after the CTC has been approved.

Columns 1 - 3

Please state for each vessel to include in tonnage tax:

- The **vessel name** (regardless of whether you own or charter them).
- Their **IMO numbers** (if assigned)
- Their **country of registration** (Flag State)

- 2.19** If a vessel has formed part of the fleet for less than 30 days, or if it is/was substituted for another vessel, it should be disregarded.

Column 4

For each vessel the number of months of the current reporting year that it has been in the fleet.

- 2.20** A month should be taken as 30 days and the calculation made in months, expressed to one decimal place.

Example 4

Calculated example of a vessel in the fleet for 6 weeks

A vessel in the fleet for 6 weeks should be recorded as being in the fleet for 1.4 months. The calculation is 42 days (6 weeks) divided by 30 days in a month = **1.4**

Column 5

Please state the number of officers as listed on the **Safe Manning Document** (SMD) or **Safe Manning Certificate** (SMC). This again means Master, Deck and Engineer officers.

- 2.21** Where a vessel under 500gt has no SMD and/or the crewing arrangements make no clear distinction between officers and ratings, the officer complement should be entered as '2'. Where a vessel has a dual certificate, you should use the manning level which applies to the vessel as of 1st October of the reporting year.

Column 6

For each vessel in column 1, please state the **back-up ratio**.

- 2.22** The term 'back-up ratio' means the extra number of officers required to cover the periods of leave of those on the SMD, to keep the vessel fully operational at all times.
- 2.23** This may be specified in contracts, or be agreed with Trade Unions, but if a company has **no fixed/agreed ratio** for its fleet or for particular vessels, the figure entered here should be **1.5**; anything below this will not be accepted.

Column 7

For each vessel in column 1, please calculate the **Effective Officer Complement**.

- 2.24** The term 'Effective Officer Complement' is the figure on which the training commitment will be based. As indicated on the form, it is achieved by multiplying the total of deck and engineer officers on the SMD (Column 5) by the back-up ratio (Column 6).

Column 8

Please calculate (to one decimal place) the number of extra working months the addition to the fleet represents.

- 2.25** This is given by multiplying the number of months vessels were in the fleet (Column 4) by Effective Officer Complement (Column 7).

2.26 Box A calculates the incremental training commitment relative to the CTC which has been generated by net fleet additions since the CTC was approved.

2.27 In order to determine whether there is an incremental training commitment as a result of net additions to the fleet, it is first necessary to calculate what the CTC would have been if the additional vessel(s) had been in the fleet at the time when the CTC was approved. Please calculate as follows:

Box A

- In **Row a** please state the total of Column 7
- In **Row b** please state the total of Column 8 of **Form 1**
- In **Row c** add Row a with Row b
- In **Row d** divide Row c by 15. The resultant figure should be rounded to the nearest whole number.
- In **Row e** please state the CTC for current year from **Form 1**
- In **Row f** subtract Row d from Row e. If the resultant figure is '0' or **negative** then there is no incremental training commitment. Please insert '0' in the remaining steps. **However, if the figure is '1' or more then complete Rows g, h and i**
- In **Row g** please divide total of Column 8 by 15 (rounded to the nearest whole number)
- In **Row h** subtract surplus or add shortfall of trainee months from Row 4 of Box A on **Form 7**
- In **Row i** add Row g with Row h to calculate the total additional trainee months

2.28 In Row d you divide Row c by 15 because the MTO is to provide one trainee place for every 15 officer posts in the fleet. This is also the case for Row g.

2.29 If the resultant figure in Row f is '0' or minus then there is no incremental training commitment. This is because, had the additional vessel(s) been included in the fleet at the time the CTC was approved, it would have had no effect on the CTC, which would have remained as calculated at that time.

2.30 Box B involves the calculation of the PILOT payment due as a result of shortfall in trainee months achieved and/or net addition(s) to the fleet.

Box B

Please calculate PILOT Payment due as result of additional trainee months.

- 2.31** In Box B you multiply the current PILOT rate with Row 1 of Box A.
- 2.32** There is no adjustment to be made where vessels leave the fleet. This safeguards the level of training delivery set out in the CTC and keeps the EPA process reasonably simple. But if your company believes that vessel disposals have a significant effect on the CTC, you should consult the DfT. The Secretary of State has the power to adjust the CTC in exceptional circumstances.

3. Contact Details & Glossary

For enquiries on Tonnage Tax Training Commitment

Department for Transport

Mr Stephen Eglesfield
Department for Transport
Zone 2/29
Great Minster House
33 Horseferry Road
LONDON SW1P 4DR

Tel: 020 7944 5121

Fax: 020 7944 2182

Email: stephen.eglesfield@dft.gsi.gov.uk

For enquiries on PILOT payments

Maritime Training Trust

Mrs Donna Stevens
Maritime Training Trust
Carthusian Court
12 Carthusian Street
London EC1M 6EZ

Tel: 020 7417 2840

Fax: 020 7726 2080

Email: donna.stevens@british-shipping.org

For enquiries on SMarT

MaTSU

SMarT helpline: 0870 190 6169

Glossary

CTC	Core Training Commitment
DfT	Department for Transport
EEA	European Economic Area
EPA	End of Period Adjustment
FCC	First Certificate of Competency
MCA	Maritime and Coastguard Agency
MNTB	Merchant Navy Training Board
MTO	Minimum Training Obligation
MTT	Maritime Training Trust
PILOT	Payment in Lieu of Training
RTF	Ratings Task Force
SMC	Safe Manning Certificate
SMarT	Support for Maritime Training
SMD	Safe Manning Document