

and the following subsection to the extent to which it is not inconsistent with the provisions of section 115VA.

TONNAGE TAXATION

Section 115VA

Computation of profits and gains from the business of operating qualifying ships	<ul style="list-style-type: none">- It is optional for a qualifying company,- to compute the income from the business of operating qualifying ships,- as per tonnage tax scheme, or- as per normal provisions of the Act.
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Section 115VC

Qualifying Company	A company is a qualifying company if: <ul style="list-style-type: none">(a) it is an Indian company;(b) the place of effective management (i.e., where decisions take place) of the company is in India;(c) it owns at least one qualifying ship; and(d) the main object of the company is to carry on the business of operating ships.
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Section 115VD

Qualifying Ship	A ship is a qualifying ship if- <ul style="list-style-type: none">(a) it is a sea going ship or vessel of 15 net tonnage or more;(b) it is a ship registered in India or having licence to operate in India; and(c) a valid certificate in respect of such ship indicating its net tonnage is in force, but does not include <ul style="list-style-type: none">(i) a sea going ship or vessel if the main purpose for which it is used is the provisions of goods or services of a kind normally provided on land;(ii) fishing vessels;(iii) factory ship i.e. the ship providing processing services in respect of fishing produce;(iv) pleasure crafts i.e. the ship whose primary use is for the purposes of sports or recreation;(v) harbour and river ferries;
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| | <ul style="list-style-type: none"> (vi) offshore installations i.e. rigs oil; (vii) a qualifying ship which is used as a fishing vessel for a period of more than thirty days during a previous year. |
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Section 115VE

Manner of Computation of Income Under Tonnage tax scheme	<ul style="list-style-type: none"> - Tonnage tax business shall be considered as separate business distinct from all other businesses. - Profits of tonnage tax business shall be computed separately as per the Chapter.
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Section 115VG

Computation of Tonnage Income	<p style="margin: 0;">Tonnage Income from each Qualifying ship</p> $\text{Tonnage Income from each Qualifying ship} = \frac{\text{Daily tonnage income}}{\text{No. of days the ship is operated in the previous year}}$ <p style="margin: 0;">Daily Tonnage Income shall be the amount specified below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Qualifying ship having Net tonnage</th><th style="width: 50%; padding: 5px;">Amount of daily tonnage Income</th></tr> </thead> <tbody> <tr> <td style="padding: 5px;">Upto 1,000</td><td style="padding: 5px;">₹70 for each 100 tons</td></tr> <tr> <td style="padding: 5px;">Exceeding 1,000 but not more than 10,000</td><td style="padding: 5px;">₹700 plus ₹53 for each 100 tons exceeding 1,000 tons</td></tr> <tr> <td style="padding: 5px;">Exceeding 10,000 but not more than 25,000</td><td style="padding: 5px;">₹5,470 plus ₹42 for each 100 tons exceeding 10,000 tons</td></tr> <tr> <td style="padding: 5px;">Exceeding 25,000</td><td style="padding: 5px;">₹11,770 plus ₹29 for each 100 tons exceeding 25,000 tons.</td></tr> </tbody> </table>	Qualifying ship having Net tonnage	Amount of daily tonnage Income	Upto 1,000	₹70 for each 100 tons	Exceeding 1,000 but not more than 10,000	₹700 plus ₹53 for each 100 tons exceeding 1,000 tons	Exceeding 10,000 but not more than 25,000	₹5,470 plus ₹42 for each 100 tons exceeding 10,000 tons	Exceeding 25,000	₹11,770 plus ₹29 for each 100 tons exceeding 25,000 tons.
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	<ul style="list-style-type: none"> - Tonnage shall be rounded off to the nearest multiple of 100 tons. - No deduction or set off of any loss shall be allowed in computing the tonnage income under this Chapter 										

SECTION 115VQ: PERIOD FOR WHICH TONNAGE TAX OPTION TO REMAIN IN FORCE

- (1) An option for tonnage tax scheme, after it has been approved by Joint Commissioner, shall remain in force for a period of 10 years from the date on which such option has been exercised and shall be taken into account from the assessment year relevant to the previous year in which such option is exercised.
- (2) An option for tonnage tax scheme shall cease to have effect from the assessment year relevant to the previous year in which –

- (a) the qualifying company ceases to be a qualifying company;
- (b) a default is made in complying with the provisions regarding Transfer of Profits to Tonnage Tax Reserve Account and minimum training requirements for tonnage company;
- (c) the tonnage tax company is excluded from the tonnage tax scheme under section 115VZC;
- (d) the qualifying company furnishes to the Assessing Officer, a declaration in writing to the effect that the provisions of this Chapter may not be made applicable to it.

And the profits and gains of the company from the business of operating qualifying ships shall be computed in accordance with the other provisions of this Act.

SECTION 115VS: PROHIBITION TO OPT FOR TONNAGE TAX SCHEME IN CERTAIN CASES

- A qualifying company, which,
- on its own, opts out of the tonnage tax scheme or
- makes a default in complying with the provisions regarding transfer of profits to Tonnage Tax Reserve Account and minimum training requirements for tonnage company or
- whose option has been excluded from tonnage tax scheme in pursuance of an order made under sub-section (1) of section 115VZC,
- shall not be eligible to opt for tonnage tax scheme for a period of 10 years from the date of opting out or default or order, as the case may be.

SECTION 115VZB: AVOIDANCE OF TAX

If the tonnage tax company is involved in any transaction or arrangement which would result in **reducing the income or increasing the loss of**

- (i) a person other than a tonnage tax company; or
- (ii) a tonnage tax company in respect of its non-tonnage tax activities **or showing more than ordinary profits for the tonnage tax business**

then the tonnage tax company shall be expelled from the chapter as per section 115VZC.

SECTION 115VZC: EXCLUSION FROM TONNAGE TAX SCHEME

- Where a tonnage tax company is a party to any **tax advantage** transaction,
- the Assessing Officer shall, after giving an **opportunity of being heard** to the assessee, and with previous **approval of Chief Commissioner**
- by an **order in writing**
- **exclude** such company from the tonnage tax scheme.
- Exclusion shall take effect from the **first day of the previous year** in which the transaction or arrangement was entered into.
- The provisions of this section **shall not apply**
- where the company shows to the satisfaction of the Assessing Officer
- that the transaction or arrangement was a **bona fide commercial transaction** and
- had not been entered into for the purpose of obtaining tax advantage under this Chapter.