

## Ship Registration in the Isle of Man



The Isle of Man Ship Registry was established as an international register in 1984 and since then the size of the register has attracted a gross registered tonnage in excess of 10,000,000 consisting of around 400 merchant ships and 83 of the worlds superyachts.

The Isle of Man register is a component part of the British Ship Register. Ships registered on the Isle of Man flag are British ships and have the right to fly the “Red Ensign”, but they are subject to the separate jurisdiction of the Isle of Man Ship Registry.

The Isle of Man register is well respected internationally and ranks highly on the annual Flag State Performance Table published by the Round Table of international shipping associations (comprising of the International Chamber of Shipping, the International Shipping Federation, BIMCO, INTERCARGO and INTERTANKO). The Isle of Man flag is also highly regarded by the world’s Port State Control Authorities and is on the Paris MOU white list.

### Qualified Owners

In order for a ship (whether a merchant ship or a commercial yacht) to be registered on the Isle of Man register, the majority interest in the ship (i.e. at least 33 out of 64 shares) must be held by a “qualified owner”, that is to say:

- a company incorporated in the Isle of Man and having its principal place of business in the Isle of Man;
- a company incorporated in the United

Kingdom, the Channel Islands, or any British Dependent Territory and having its principal place of business in any such territory;

- a company incorporated in a member state of the EU or in a EEA country and having its principal place of business in any such country;
- a limited partnership established and registered in the Isle of Man and in certain prescribed countries, including Belgium, Bermuda, Cayman Islands, Denmark, Germany, Netherlands, Norway, Sweden and the United Kingdom;
- a British citizen, a British Dependent Territories citizen, a British Overseas citizen, a British subject under the UK British Nationality Act 1981 or a British National (Overseas) under the Hong Kong (British Nationality) Order 1986; or
- a citizen of a member state of the EU and EEA countries.

In May 2007 new regulations were introduced which extended the category of qualified owners to also include companies, limited partnerships and citizens from Australia, Bahamas, Canada, China, Hong Kong, India, Japan, Liberia, Marshall Islands, New Zealand, Pakistan, Panama, Russia, Singapore, South Africa, United Arab Emirates and the United States of America.

### Surveys and Registration Procedure

The registration of a ship on the Isle of Man register, whether a new-build or a ship being transferred from another flag, is a relatively straightforward and simple

procedure. An application is required to be submitted to the Isle of Man Registrar together with certain documentary evidence, including evidence of title of ownership. A ship must also be classed with one of the Classification Societies recognised by the Isle of Man Ship Registry.

The requirement for a pre-registration survey on vessels will depend on the age of the vessel and its Port State Control (PSC) inspection history. Generally vessels under ten years old will not require a pre-registration survey if their PSC inspection history is acceptable. The requirement for a pre-registration survey on new builds will depend on the shipyard where the vessel is being built and whether the owner has ships already registered with the Ship Registry. Generally new builds coming from shipyards which have delivered to the Isle of Man Flag requirements previously will not require a pre-registration survey.

The Ship Registry undertakes all audits for ISM and will only delegate ISM audits to a classification society in exceptional circumstances. Once the application is made the Registrar will issue a carving and marking note. The ship must be marked with the name, port of register and IMO number and once marked, the markings need to be verified by either the Isle of Man surveyor (if the Isle of Man surveyor is present at marking) or by the Classification Society surveyor. The verifying surveyor signs the carving and marking note and it is returned to the Registrar.

Once a ship is registered on the Isle of Man register that registration is permanent until the owner chooses to register the ship elsewhere or the ship is deleted from the register.

### **Demise Charter Registration**

Demise charter registration “in” and “out” of the Isle of Man is available.

A “Demise Out” enables the registration of a ship on the Isle of Man register to be temporarily suspended for the duration of a demise charter. During this period, the ship will be registered in the name of the

demise charterer on an alternative register and the ship will fly the flag of that alternative register and will operate under that flag. However, the owners title to the ship will remain on the Isle of Man register (as the primary register) and any mortgages registered in respect of the ship will remain on the Isle of Man register.

A “Demise In” enables the registration of a ship on a foreign register to be temporarily suspended for the duration of a demise charter. During this period the ship can be registered in the name of the demise charterer on the Isle of Man demise charter register (for a renewable period of 5 years) and the ship will fly the Isle of Man flag and will operate under the jurisdiction of the Isle of Man Ship Registry. In order for a ship to be registered on the Isle of Man demise charter register, the charterer must be a qualified owner.

### **Requirement for Approved Local Representative**

Every vessel registered in the Isle of Man (whether a merchant ship or a commercial yacht) which is 24 metres in length or more must have an Isle of Man approved representative. The function of the representative person is to primarily enable the Isle of Man Ship Registry to serve notice of intention to de-register the ship and papers for the institution of, or otherwise in connection with legal proceedings. The representative person is also required to retain a current crew list for each vessel they represent.

Representatives may also provide additional optional services to their clients which may include technical management, crew management, yacht management, provision of authorised officers for the purposes first registration, company formation, tax advice and planning, processing of seafarer’s documentation and liaison with the Ship Registry on technical matters, problems or issues to name but a few.

### **Merchant Ships**

Most types of merchant ship are accepted for registration on the Isle of Man register, including bulk carriers, tankers, gas and chemical carriers,

offshore support vessels, FPSO's, container and cargo ships. However, a few types of ship are not accepted for registration. In particular, ships more than 20 years old, single hull oil tankers, ships under 500 GT (unless operating locally), floating dry docks, high speed craft operating outside the Irish Sea area, Ro-Ro passenger ships and passenger ships operating outside the Irish Sea, Pilgrim ships, ships engaged in the carriage of irradiated nuclear fuel and harbour and estuarial craft operating outside Manx waters cannot be registered in the Isle of Man.

Whilst a merchant ship is registered on the Isle of Man register, the Ship Registry will send a surveyor to visit the ship at 2½ yearly intervals timed to fit in with the ship's ISM certification. At the 2½ yearly visits the attending surveyor will complete an ISM audit and issue any necessary Safety Management Certificates, complete a general inspection of the ship and complete an inspection of crew accommodation, welfare and working conditions.

Owners and managers of merchant ships have the option to enter their ships in an Alternative Fees Scheme which will allow for 2 visits by an Isle of Man Surveyor in a 5 year period. Owners who opt for this scheme pay a fixed monthly subscription to the Ship Registry and in return the Ship Registry appoints the ship's classification society to undertake routine statutory surveys, whilst the Ship Registry attends to and completes ISM audits, ILO inspections, ISPS verifications and general inspections at the statutory intervals, all at no further cost to the owner.

### **Commercial Yachts**

Any commercial yacht registered on the Isle of Man register must be at least 24 metres in length and must comply with the UK mega yacht code.

Commercial yachts are automatically entered in the Alternative Fees Scheme on registration in the Isle of Man. Commercial yachts will also be inspected at 2½ yearly intervals by an Isle of Man surveyor who will inspect the ship and undertake any surveys that are due. If the ship is subject to the ISM Code (over 500 GT) it will receive an ISM audit and if it is subject to the ISPS Code it will receive a security

verification audit.

### **Ship Mortgages**

Isle of Man registered ships or any share in an Isle of Man registered ship can be made the subject of security. The Isle of Man Merchant Shipping Registration Act 1991 sets out clear priorities for mortgages following established English law. This provides comfort for lenders that their mortgage will be properly recorded and secure.

There is a prescribed statutory form of mortgage which must be used – this is similar to the English form of ship mortgage and is a short form document. It is usual for mortgagees to also require ship owners to grant a collateral deed of covenants in respect of the ship as additional security.

Mortgages are registered in the order in which they are presented for registration and it is the date and time of registration which determines the priority of mortgages over Isle of Man registered ships. The current fee for registering a mortgage is £225. It is also possible for an intending mortgagee of a ship or a share in a ship to notify the Registrar of its intended interest under a proposed mortgage and the Registrar will record this interest on the register.

The form of notice of mortgage intent must be in a form approved by the Registrar and once registered no other mortgage may be registered against the ship in priority to the proposed mortgage. The notification is valid for a period of 30 days but is renewable by the intended mortgagee by notice in writing to the Registrar before the end of the 30 day period. The current fee for registering a notice of mortgage intent is £40.

### **Advantages of Using the Isle of Man**

- The Isle of Man Ship Registry is a modern flag registry with a strong emphasis on

- quality, high standards and efficient service. Ship Registry staff are available to complete registry transactions at any time of the day or night in order to match with local time at the place of completion.
- The Isle of Man is not regarded as a flag of convenience.
- Reasonable Ship Registry fees. There is a single one-off registry charge of £560 to register a ship. April 2010 sees the introduction of an annual registration fee of £700 per vessel irrespective of the size of the vessel and fleet discounts may apply.
- There are no tonnage related charges.
- The quality of the Island's professional infrastructure. There is an experienced shipping industry present on the Island, including ship managers, lawyers, accountants and banks offering services to owners and operators of ships worldwide.
- The Isle of Man offers a favourable taxation regime. In April 2006 the Isle of Man introduced a standard zero rate of corporate income tax. This means that the income of Isle of Man tax resident companies is taxed at 0% in the Isle of Man. In addition, there is no capital taxation in the Isle of Man and no stamp duty or taxes on wealth.
- The Isle of Man has a high quality and stable political, legal, fiscal and regulatory environment and has received an AAA credit rating from both Standard and Poor's and Moody's credit rating agencies.

Should you have any questions or requests for further information please contact:

**Faye Moffett**  
**Local Team Leader**  
**Partner**  
[FMoffett@applebyglobal.com](mailto:FMoffett@applebyglobal.com)

**Simon Cain**  
**Partner**  
[SCain@applebyglobal.com](mailto:SCain@applebyglobal.com)

We have established a leading shipping practice and we have extensive experience and expertise in advising both major ship finance institutions and ship owners on ship finance transactions involving Isle of Man companies and/or Isle of Man flagged ships.

We also have a good working relationship with the Isle of Man Ship Registry and regularly attend road shows hosted by the Isle of Man Government to promote the Isle of Man flag in the worlds major shipping centres.

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 Bermuda  
 British Virgin Islands

Cayman Islands  
 Hong Kong  
 Isle of Man

Jersey  
 London  
 Mauritius

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