FAS: ADD NIMBLE TO FISCALLY ATTRACTIVE

Amid growing popularity of the FAS ship registry, the Faroe Islands becomes one of the first in the world to issue ship's officers' Certificates of Competency in the form of convenient plastic cards linked to digitized qualification documents.

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FAS is a growing international ship registry under the jurisdiction of the Faroe Islands.

FAS was originally established in 1992 and has proven to be an excellent alternative to other open ship registries. FAS offers a number of financial advantages including flexible, efficient, and uncomplicated public administration.

The Faroese flag, known as Merkið, is internationally recognized.

The Faroe Islands is an Associate Member of the International Maritime Organization (IMO).

The relevant IMO/ILO conventions are in force in the Faroe Islands.

THE FAS—the Faroe Islands International Ship Register—continues to advance in the marketplace following an array of changes to the registry's legal and regulatory framework introduced a few year ago. Administered by the Faroese Maritime Authority (FMA), the FAS offers a business environment for merchant fleets that is increasingly recognized internationally, according to FMA Director General Hans Johannes á Brúgv.

"The fiscal element is one part of the FAS competitive advantage," Mr. á Brúgv noted. "What more and more shipowners also consider, is the fact that with their vessels registered in the FAS, they get to maintain a unique combination of international standards and Nordic identity, while at the same time being able to enjoy a level of accessibility and service that appears to be difficult to rival."

Besides offering an attractive tonnage tax regime that offers low rates and a straightforward and simple computation formula (see table), the FAS wage tax refund system is known to be good for cash flow.

Mr. á Brúgv added that alongside compelling tax incentives, the FAS also provides shipowners with recruitment opportunities, as a large percentage of the Faroese population are seafarers with trained navigators and engineers accounting for as many as an estimate one-tenth of the entire workforce.

The Faroe Islands' vast collective experience and expertise in shipping is underpinned by a modern and sophisticated domestic fishing sector with an associated registry comprising hundreds of vessels. At the domestic level the FAS is seen to play a important part in the development of the merchant shipping industry.

The FMA is currently working with maritime training institutes to digitize qualification documents and streamline a number of related communication processes such as identification of ship's officers and work applications, facilitating online document exchange between authorities, schools and shipowners. In this connection Certificates of Competency are now issued in the form of a new plastic QR code card, making the Faroe Islands the third country in the world to introduce this upgrade.

- Vessels up to 1,000 NT:
  6 DKK per 100 NT per on-hire day.
- Vessels over 1,000 NT up to 10,000 NT:
  4 DKK per 100 NT per on-hire day.
- Vessels over 10,000 NT up to 25,000 NT:
  3 DKK per 100 NT per on-hire day.
- Vessels over 25,000 NT:
  1 DKK per 100 NT per on-hire day.

In the tonnage taxation system each ship is taxed at a fixed rate of 18% of taxable revenues, with the taxable revenues calculated from the ship's net tonnage per on-hire day, as specified in this table.

'WHITE LIST' STATUS

"The Faroese are widely known for good seamanship and we have many deck and engineering officers, many of them with international working experience. This is an important factor in assessing the business environment for the shipping industry, alongside such factors as political stability. By extension, because of the smallness of the Faroese population, it is relatively easy to keep track of our people, wherever they may be—there is always some known family member, relative or friend to contact if you need to get ahold of someone. So when it comes to networking and building contacts in the maritime business, the Faroes is a very special place. And our clients know that whatever the issue, whether it's dealing with regulatory matters or it's about finding ways to attract good candidates to fill roles at sea or on land, we are always there to help."

The number of merchant vessels registered under FAS has been steadily growing in recent years, to almost 100 vessels as of today. The mid term goal is to double that number, Mr. á Brúgv said.

One of the fiscally attractive features of the FAS is the crew wage tax refund system. Already within days, it repays shipowners the full amount of the income tax that is automatically withheld from crew when their monthly salaries are paid.

"The full refund of payroll taxes and the tonnage tax system make this registry very attractive from a financial and operational point of view. So our competitive tax regime is part of what makes the FAS a viable alternative. But at the same time, importantly, the Faroe Islands offers a friendly service in a 'bureaucracy-free' culture."

As an emerging flag jurisdiction, the Faroe Islands has with the FAS a registry that is based on international standards in line with UN bodies such as the International Maritime Organization, of which the country is an associate member, and the International Labour Organization.

"All the relevant IMO and ILO conventions are in place with the FAS registry," Mr. á Brúgv said.

"We work constantly to make sure this registry retains a top-quality image," he added.

With its own language, culture, educational system, government, parliament, tax system, and flag, the 50,000-population Faroe Islands is a self-governing part of the Kingdom of Denmark.

As a flag state, the Faroes enjoys 'White List' status in relation to the Paris Memorandum of Understanding on Port State Control.

FAS-registered Saeborg (below) and Thor Alpha (right).

Sample image of Certificate of Competence card issued by the Faroese Maritime Authority.