

# FAS: INTERNATIONAL STANDARDS TRUMP PROTECTIONISM

*With services ranging from statutory agency to technical management, Shipping.fo fulfills the needs of shipowners registering their vessels under the Faroese open ship registry, focusing on international standards.*

**M**ARITIME SERVICES available in the Faroe Islands are increasingly aimed at catering to the growing number of international merchant ships registered under the Faroese flag, so much so that a new consortium has been formed under the name of Shipping.fo to offer essential services including technical management, legal advice, administrative services, and more.

Since the Faroe Islands' open ship registry was given its own administration in 2008, the demand for consultancies specializing in FAS compliance and international maritime law has risen markedly, according to Óli Hans Hammer Olsen, managing director of TYR Shipping Management, a member of the Shipping.fo group.

"There is much to the FAS that merchant vessel operators should know," Mr. Olsen said. "The first advantage has to do with the fact that the FAS is a ship registry based entirely on international standards and Nordic maritime traditions. The fiscal regime is highly competitive and at the same time the Faroe Islands has a very strong reputation as a maritime nation. That means what you get with the FAS is the best of two worlds."

The Faroe Islands and its people are generally speaking intimately tied

to the ocean. Experience from the international merchant sector as well as from the country's closed ship registry has helped develop a strong maritime cluster with shipyards, mechanical workshops specializing in marine machinery, and services for the maritime industries.

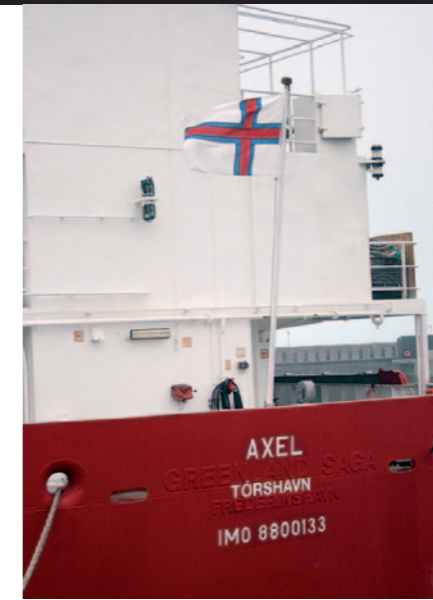
Said Mr. Olsen: "We are able to draw on the competence and skills of Faroese officers at sea, mariners, and land-based engineers as well as administrators and legal experts with a working connection to maritime industries. For example, I've seen information that

says that every fifth officer in the Danish merchant fleet is Faroese. We may have more ship officers per capita than any other country in the world."

Comprising hundreds of commercial fishing vessels, the closed Faroese ship registry is regulated by standards that often go one step further than international minimum standards in areas such as safety at sea. In the open registry, however, the emphasis is clearly on international standards and guidelines, with strict alignment to the United Nations' International Maritime Organisation (IMO) and related international protocols and conventions.

**TWO TAX REGIMES:** "I see no reason why international shipowners should be subjected to overly restrictive national regulations," Mr. Olsen said. "That way you wouldn't be able to attract many of them. On the other hand, by using the existing system of international law and regulation as a platform, the FAS is able to set high standards while still offering a competitive alternative to other open registries."

Crew management is one example of the international approach taken.



"One very important feature of the FAS is that it recognizes the global nature of crew management in today's shipping industry," said Jónas Sigmarsson, managing director of Crew.fo, another Shipping.fo member.

"It means shipowners don't have to worry about national restrictions or protectionism as regards country of residence or citizenship of crew members and officers. They only have to worry about getting the most skilled workforce and complying with international conventions and protocols. Because competencies and skills have nothing to do with nationality as such. I think this is a wise policy that will allow our clients to attract the best available people to their vessels, which in turn will strengthen the Faroese merchant marine sector."

A similar principle is applied to all technical and legal requirements, Mr. Olsen pointed out.

"The key is compliance with IMO standards and internationally recognized classification systems. Our job is to convey this information and help manage implementations."

Ships registered in the FAS can choose between two different tax systems: tax on company profits or tax on vessel tonnage.

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Shipping.fo is a consortium of specialists in shipping and related services, in particular with regard to the Faroese business environment.

Shipping.fo companies offer FAS registration and related services, management, crewing, legal services, insurance, provisioning, and more.

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The company profits tax system involves an 18-percent corporate tax levied on profits, however the 35-percent income tax on crew wages is refunded to the employer.

The tonnage tax regime, on the other hand, has fixed tax rates related to the registered vessel's net tonnage capacity, on a regressive scale, going from 1,000 nt. or below to 100,000 nt. or above. The principle is, the higher the net tonnage, the lower the tonnage tax rate relative to the size of the ship. Thus, for example, a vessel with a net tonnage of 1,000 will pay 3,942 DKK (530 EUR) per year, while a 55,000 nt. ship will pay 76,869 DKK (10,331 EUR).



Óli Hans Hammer Olsen, managing director of TYR Shipping Management, left, with Jónas Sigmarsson, Crew.fo general director; FAS registered *Norröna* (right); FAS registered *Nordkinn* (far right); FAS registered *Axel* (top right).