



A guide to Madeira International Yacht Registry



UMS

United Management Services
Consultoria Fiscal, Lda.

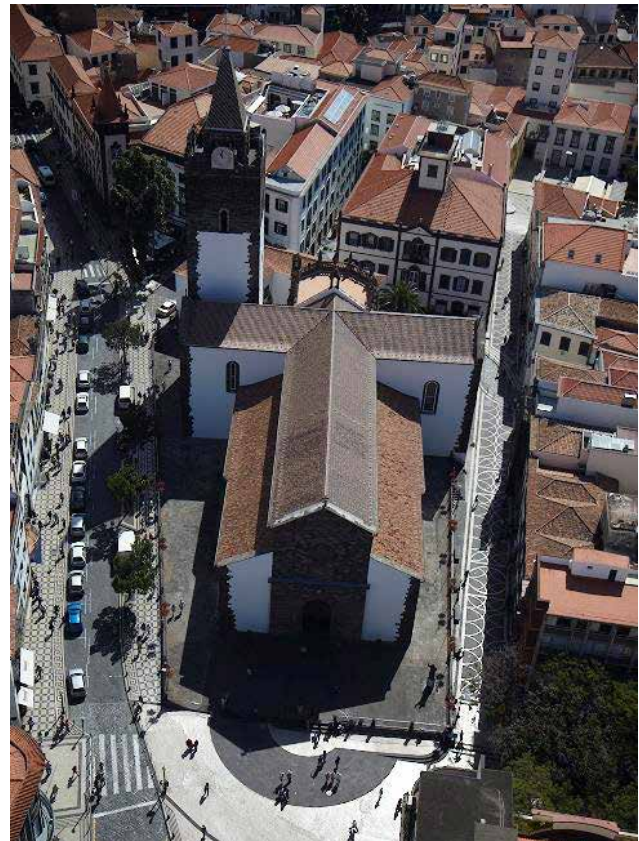


Notes



Cathedral of Funchal

Mountain View
 Funchal aerial view
 Bank of Portugal Head Office



ABOUT MADEIRA

Madeira Island was discovered in 1419 by the Portuguese navigators João Gonçalves Zarco, Tristão Vaz Teixeira and Bartolomeu Perestrelo.

Madeira, which is officially designated the Autonomous Region of Madeira, is a Portuguese archipelago endowed with political and administrative autonomy, ruled by the Political Administrative Statute of the Autonomous Region of Madeira, contemplated in the Constitution of the Portuguese Republic. Since 1976, Madeira is an autonomous region of the Portuguese Republic with self-government and its own Legislative Assembly. The Portuguese State is represented in the region by the Representative of the Republic for the Autonomous Region of Madeira. Madeira is an integral part of the European Union as an outermost region of the European Union, as per Article 299 -2 of the European Union Treaty.

The archipelago lies in the Atlantic Ocean between 30° and 33° north latitude, 978 km southeast of Lisbon and at about 700 kilometres from the coast of Africa, at almost the same latitude as Casablanca, relatively close to the Strait of Gibraltar. With a volcanic origin, the archipelago comprises the islands of Madeira, with 740.7 kilometers², Porto Santo (42.5 km²) and the uninhabited islands of Desertas and Selvagens.

The main access to the Madeira Island is the International Airport of Funchal, to and from where arrive and depart scheduled flights from most of the major European capitals. The sea port of Funchal receives several ships, especially cruise ships, and is also served by a regular shipping line of passengers and goods, linking the

MADEIRA



port of Funchal to Portimão, Algarve, in mainland Portugal. The Desertas and Selvagens Islands are nature reserves.

Despite having a population density (about 300 inhab./km²) higher than the national average, and even than the EU average, 75% of the population of the island of Madeira only inhabits in 35% of the territory. The population is mainly concentrated on the south coast, where the city of Funchal, capital of the Autonomous Region of Madeira (ARM), is located, concentrating 45% of the population (130 000), with a population density of 1 500 inhab./km². Most of the hotels are also located in this area.

THE INTERNATIONAL BUSINESS CENTRE OF MADEIRA (IBM)

Initially created as an industrial free zone, the International Business Centre of Madeira (IBCM) was designed and established with the main objective of contributing to the economic and social development of the ARM, by upgrading and diversifying the productive structure of the Region, including tourism, responding to the needs imposed by an economy deeply marked by the insularity, ultra-periphery and the economic dependence on a limited number of goods and services. The IBCM regime is framed, in community terms, as an aid of the State for tax purposes, duly authorized by the EU, aiming the regional development. The approval of a system of incentives to the ARM occurred the first time in 1987, comprising at that time an international register of ships, an industrial free zone, a financial services centre and a centre for international services. However, it is important to point out that the ARM is not included in any official list of territories or regions qualified as tax shelters. Indeed, the only singularity of the IBCM regime comparing to the remaining national tax legislation is the allocation of a set of tax benefits explicitly provided for in the Statute of Tax Benefits, according to the different regimes therein. In fact, all entities licensed to carry on any activity in the IBCM are subject to the same rules, conditions and requirements for their establishment and operation as any entity established in the rest of the country, without exceptions. On the other hand, the regime of the IBCM is characterized by its total transparency (as opposed to what happens in most of tax shelters), translated by an effective supervision, control and fiscalisation, not contemplating any distinguishing specificity in matters of secrecy, in particular as in what regards the exchange of information, regarding the regime in force in mainland Portugal. Throughout its lifetime, the IBM system has been subject to review by the Community authorities, and as a result it suffered some changes from its initial configuration. The present tax regime that applies to entities licensed between January 1, 2007 and December 31, 2013 is properly approved and consecrated by the European Union, and will be in force up to 2020⁽¹⁾



(1) IP/07/891Brussels, 27th June 2007

State aid: Commission endorses tax reductions for the free zone of Madeira for the period 2007-2013. The European Commission has approved under EC Treaty state aid rules a scheme providing tax reductions worth €300 million until 2020 to companies setting up in the free zone of Madeira (ZFM) between 2007 and 2013. The granting of the aid is subject to requirements to create jobs and strict safeguards as to the implementation of the aid. The Commission was satisfied that the aid was intended to promote regional development in Madeira by enabling companies established in this outermost region to overcome their structural handicaps. Competition Commissioner Neelie Kroes said "The aid will contribute to attract investment and economic activity to Madeira, supporting cohesion in the EU and regional development in this outermost region." The ZFM comprises an industrial free zone, an international services centre and an international shipping register. New companies licensed to carry on business there between 1 January 2007 and 31 December 2013 will benefit from a reduced tax rate of 3% in 2007-2009, 4% in 2010-2012 and 5% in 2013-2020. Access to the scheme will be restricted to companies which meet specific eligibility criteria, based on the number of permanent jobs created. The tax benefits will be limited by a ceiling placed on the taxable base per company which ranges from €2 million (where less than three new jobs are created) to €150 million (where more than 100 new jobs are created). The companies involved will have to start business within a fixed time limit (six months in the case of international services and one year in the case of industrial or shipping activities), beyond which they will lose their licences. Admission to the ZFM is also restricted to the activities included in a list drawn up by the Portuguese authorities on the basis of the statistical classification of economic activities in the EU. As under the previous scheme, authorised by the Commission on 11th December 2002 (see IP/02/1849), financial and insurance intermediary activities, financial and insurance auxiliary activities and "intra-group services" (coordination, accounting and distribution centres) are explicitly excluded. The Commission has assessed the aid in the light of the Regional Aid Guidelines for 2007-2013 (see IP/05/1653). Under the Guidelines, Madeira is fully eligible for regional aid until the end of 2013.

The fiscal advantages provided by the scheme are qualified as operating aid, which is generally prohibited under EU state aid rules. However, Article 299(2) of the EC Treaty recognises the specific permanent handicaps of the outermost regions:

remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products. Therefore, the new Regional Aid Guidelines allow operating aid for such regions as Madeira provided the aid is limited to offsetting the additional costs for pursuing economic activities in these regions.

The Commission's examination of the ZFM showed that the aid is targeted at specific handicaps of Madeira and is proportionate to the additional costs resulting from these handicaps. Moreover, in the past the measure has contributed positively to the regional development of Madeira.

Yacht and ship registry

Madeira's International Shipping Register – MAR was created within the framework of the MIBC and has become a credible and competitive alternative compared to other international registers, maintaining the quality levels and the safety culture of an E.U. register.

All entities which undertake the maritime transportation of persons and goods - companies, branches or agencies - may register vessels in MAR, flying the Portuguese flag. Shipping companies licensed to operate within the framework of Madeira's International Business Centre will fully benefit from the tax regime in force.

Specific advantages on the registration of commercial vessels:

- E.U. register, with total access to continental and island cabotage within the framework of the E.U.;
- Flexible crew nationality requirements. The captain and 50% of the safe manning of the ship must be European or citizens of Portuguese-speaking countries. This requirement may be eliminated whenever it is duly justified;
- A competitive social security regime. The members of the crew of vessels registered in MAR and their respective employers are not obliged to contribute to the Portuguese social security system. However, some form of insurance must be guaranteed;
- Flexible mortgage system, allowing both parties to choose the jurisdiction which will regulate the terms of the mortgage;
- The vessel may be registered in the name of a company licensed within the framework of the MIBC or of a company based abroad.
In this case, a legal representative in Madeira must be nominated with sufficient powers;
- Existence of a network of correspondents in various European countries with the objective of providing local support to shipowners wishing to register vessels in MAR.

Specific advantages on the registration of yachts:

- E.U. register with full access and without any restrictions to navigation in E.U. waters;
- Low taxation, including V.A.T.;
- Reimbursement of V.A.T. in case the yacht is chartered;
- Exemption from V.A.T. on the purchase of fuel by commercial yachts and on chartering activities;
- No obligation to form a local company;
- No citizenship requirements for the crew on board the commercial yachts registered in MAR;
- Flexible social security regime for the crew on board commercial yachts.

All classification societies recognised by Portugal may undertake

surveys and other services regarding the registration of vessels in MAR.

Currently, Portugal recognises seven classification societies in order to undertake some of its tasks within the framework of MAR:

- Lloyd's Register of Shipping (LRS);
- Bureau Veritas (BV);
- Det Norske Veritas (DNV);
- Registro Italiano Navale (RINA);
- American Bureau of Shipping (ABS);
- Germanischer Lloyd (GL);
- Rinave Portuguesa (RINAVE).

The register has a Technical Commission whose duties include the establishment of the crew composition. As a matter of fact, the shipowner may propose the crew composition of his vessel, and on the basis of the characteristics of the ship to be registered as well as in full compliance with the international conventions on safety and the preservation of the quality of life on board and at sea, the Technical Commission will establish minimum crew composition requirements.

Temporary registration is allowed by law, as well as the bareboat charter, and may be carried out in Portuguese consulates or in any other departments which have been or may come to be duly authorised for such effect.

MAR, as a Portuguese register, is among the international registers of the highest quality, having guaranteed adequate measures to ensure an efficient surveillance of all vessels registered. All international conventions ratified by Portugal are fully applicable to and respected by Madeira's Register, which has never been considered as a "flag of convenience", namely by ITF (International Traffic Federation).



REGISTRATION OF COMMERCIAL AND PLEASURE YACHTS

MAR accepts the registration of the following leisure yachts:

- Commercial yachts with a hull length of between 7 and 50 meters and a maximum capacity of 12 passengers plus crew;
- Pleasure yachts with a hull length above 7 meters.

DOCUMENTS REQUIRED FOR THE REGISTRATION OF YACHTS

1- Legal documents

The following legal documentation is required for the registration of commercial and pleasure yachts in MAR:

a) Power of attorney granted by the applicant to a local legal representative (applicable when the domicile of the physical person or the head office of the company applicant, is located outside the Autonomous Region of Madeira). The power of attorney must have the signatures recognized by a notary and should be legalized with the Apostille (Hague Convention of 1961). Alternatively, the power of attorney can be signed at the Portuguese consulates in which case the legalization with the Apostille is not required. UMS will provide draft of the required power of attorney.

b) Identification of the owner

b.1 - In the case of corporate entity:

- The commercial certificate, original or certified copy with the identification of the managers or the person with powers to act on behalf of the company.

b.2 - In the case of a private owner:

- Complete identification, such as: name, address, marital status and, if married, which is the matrimonial property system (matrimonial joint ownership of property, separate ownership of property by married people, a.s.o.).

c) Bill of sale signed by the seller, having the signatures certified by public notary. The bill of sale must be in original or certified copy.

d) Certificate from the previous registry (applicable only if not a new building). The certificate must be original or certified copy and issued not less than 6 months.

e) Deletion certificate from the previous registry (for yachts registered in another flag). The deletion certificate must be original or a certified copy. On a first phase of the registration, this document can be replaced by a document proving that the deletion of the registration was requested from the previous Registry.

f) Authorization from the mortgagees, when there are registered mortgages over the yacht. The authorization must be signed in the presence of a public notary or before the Portuguese consulates, granting powers to act on behalf of the Bank. The authorization must be original or certified copy.

2 - technical documents

The following documentation is required for the Registration of Pleasure Yachts:

a) Prototype Approval, with indication of the area of allowed navigation and the maximum number of persons on board;

b) Builder's Certificate;

c) Up To Date Survey Report prepared by any Classification Society recognised by the Portuguese Government (ABS – American Bureau of Shipping; BV – Bureau Veritas; DNV – Det Norske Veritas; GL – Germanischer Lloyd; LRS - Lloyds Register of Shipping; RINA – Registro Italiano Navale; RINAVE Portuguesa), or by a Maritime Authority (or a duly authorized entity on its behalf) of a State subscriber to the IMO Conventions.

The survey report must contain clear and exact information concerning:

- Hull and Structures, stability; maintenance and upkeep conditions of the hull and structures, including the date of the last inspection on ground. Information about stability in case of a nonstandard approved model.
- Machines and Assistance Facilities: upkeep and operating conditions of the propulsory engines, electric generators, drain pumps, fire devices (reference to amount and distinctive signs).
- Navigation, Rescue and Assistance Facilities: list of these facilities, including radio-communication facilities.
- Standard Approval: if the craft is a standard model, it will be necessary to present a statement regarding that fact.

Notes:

- (1) If the craft has radio communication equipment, it must have a Radio Station License issued by the Portuguese Administration Union (this license is obtained by MAR).
- (2) The inspection and resulting security certificate will be carried out every five years (at least).

d) CE Type Examination Certificate

e) Station License. If the pleasure craft is equipped with radio communications devices, it will be necessary to present the previous Radio Station license, the radio communication equipment survey report and also a Declaration of Responsibility for the Radio Accounts.

f) Photos of the Pleasure Craft (6X9 cm, coloured and showing the name of the Pleasure Craft).

REGISTRATION AND ANNUAL FEES

Depending on whether the yacht is to be used for leisure or for chartering activities, the following fees will apply:

1 - Pleasure yachts, registered for leisure purposes, are subject to:

- An initial fee due for the registration, in the amount of 500 euros;
- An annual fee payable to maintain the registration:
 - For pleasure yachts between 7 and 24 meters long, a fee of 500 euros;
 - For pleasure yachts more than 24 meters long, a fee of 500 euros plus 2 euros per gross ton.

2 - Pleasure yachts, registered for commercial purposes, are subject to:

- For the initial registration or registration renewal:
 - Fixed fee in the amount of 1.250 euros
 - Variable fee:

Scale	Fee per scale
Up to 250 GT 200 euros	200 euros
Above 250 GT 0,75 euros per GT	0,75 euros per GT

GT - Gross Tonnage

b) An annual fee payable to maintain the registration:

- i) Fixed fee of 1.000 euros;
- ii) Variable fee:

Scale	Fee per scale
Up to 250 GT 200 euros	200 euros
Above 250 GT 0,75 euros per GT	0,75 euros per GT

GT - Gross Tonnage

OTHER FEES

For the cancellation of the registration of pleasure yachts, a cancellation fee will be applicable in the amount of:

- a) 250 euros for pleasure boats with leisure purposes;
- b) 650 euros for pleasure boats with commercial purposes.

The rendering of services and other registration deeds concerning pleasure yachts will be subject to a fee in the following amounts:

- a) For the issue, renewal, or endorsements of certificates and other documents of the yacht, a fee of 20 euros for pleasure boats with leisure purposes and of 130 euros for pleasure boats with commercial purposes;
- b) For the issue or recognition of each certificate of the officers and other seafarers, a fee of 100 euros and 25 euros, respectively;
- c) For the definition of the crew and the issue of the respective certificate relating to pleasure boats with commercial purposes, a fee is due in the amount of 200 euros;
- d) For the provision of forms, on-board record books and other inherent services, amounts are to be set by the Technical Commission of MAR, which shall be published.
- e) For the issue of the yacht's radio station license, a fee is due, of 300 euros for pleasure boats with leisure purposes, and of 500 euros to pleasure boats with commercial purposes;
- f) For the vessel's change of name, a fee of 40 euros;
- g) For the recognition, purchase, or change of ownership, a fee of 70 euros;
- h) For the recognition, formation, purchase, change or extinction of the right of use, a fee of 35 euros;
- i) For each construction contract, a fee of 20 euros;
- j) For the creation of a mortgage, its change or extinction, cession, assignment of mortgage credits, as well as preference ranking of mortgages, a fee of 60 euros.



Notes - The owners of pleasure boats who choose to pay their annual fees for a period of two consecutive years, shall be entitled to benefit from a 20% reduction on the respective amounts due, if they effect the payment at once and within the payment term legally established.

Head office:
Rua dos Aranhas, 53 - 3ºH • 9000-044 Funchal - Madeira - Portugal
Tel: (351) 291 207 080 • Fax: (351) 291 207 089

filipedantas@ums.pt
www.ums.pt
