
Stimulus Package for Australian Shipping

In September 2011, the Federal Government announced a new and far-reaching policy package aimed at re-invigorating the Australian shipping industry. The policy, which might be described as the 'stimulus package for Australian shipping', seeks to introduce three key changes:

1. tax reform;
2. the creation of an Australian international shipping register; and
3. a new coastal shipping licensing regime.

Tax Reform

The tax reform package will involve a raft of measures designed to reduce the tax burden on Australian companies seeking to compete in the Australian coastal and international shipping industry, most significantly including:

- a) a zero per cent (0%) tax rate for Australian shipping operators;
- b) accelerated depreciation of vessels over a 10 year period (rather than a 20 year period as currently); and
- c) exempting hire payments under bareboat charters from royalty withholding tax.

Australian International Shipping register

A second Australian Shipping Register will be created for Australian-flagged vessels which are intended to trade internationally. Vessels on the International Register will generally be relieved of the obligation to meet Australian labour conditions during the period of overseas



voyages, during which the prevailing conditions under the Maritime Labour Convention will apply. This should result in a significant decrease in the costs of labour for international voyages.

Licensing Regime

The new coastal shipping licensing regime will create three categories of license, one of which must be obtained in order to engage in Australian coastal shipping:

1. a general license for Australian flagged vessels with unrestricted access to coastal trades. These licenses will be valid for up to five years at a time;
2. a temporary license for foreign-flagged vessels to access coastal shipping trades. More stringent trade restrictions/conditions than exist currently will be imposed on the issue of such licenses. These licenses will be valid only for up to 12 months; and
3. an emergency license for single voyages in the event of an emergency, e.g. natural disaster.

Further details of the package reforms will be available when draft enabling legislation is circulated for industry consultation, which is expected to be sometime after November 2011.

Contact

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