

## **CHAPTER V: VESSELS**

### **1. Background**

Since the insertion of Maritime legislation in 1925, the Republic of Panama has offered to the shipping community an open registration, allowing foreign individuals or corporations to enjoy the same privileges as nationals concerning ship registration, which is backed by a network of consulates in the major shipping centers of the World. During the XX Century, Panamanian registry became one of the leading and most respected within the international shipping community.

Many reasons support the international reputation of Panama and, in addition to the benefits of an open registration and a corresponding offshore tax exemption status, the Panamanian Maritime Authority pays very close attention to safety and to pollution prevention. The Republic of Panama is signatory of the Safety of Life at Sea Convention, as well as a State member of the International Maritime Organization (IMO) and, in order to improve its fleet standards, Panama has implemented and observes the ISM Code.

According to Lloyd's (1999), Panama has strengthened its leadership as the World's largest shipping register, both in gross tonnage, replacing Liberia in 1993, and achieving in 1998 98.2 million gross tonnage (Growth: 8%), to represent 18,5% of the World merchant fleet; and in number of vessels, with over 15,000 vessels registered under its flag.

By 1999, the gross tonnage of vessels registered in the National Merchant Marine under Foreign Service, has continued to grow up to 126.8 million, according to figures provided by the Department of Statistics of the Office of the General Controller of the Republic of Panama.

### **2. Advantages**

- An open Registry. Any individual or company, regardless of nationality or place of incorporation, is eligible to register vessels under Panamanian flag.
- There are no minimum tonnage requirements, so vessels of any size, type or age are eligible for registration. However, vessels 20 years old or older are subject to special inspection in order to obtain a National Permanent Navigation Patent.
- A very simple process for registration of ships and naval mortgages, with provisional ship registration valid for six months may be obtained in Panama through an action introduced by a lawyer or through any of the Panamanian consulates around the World.
- A specialized Maritime Court, accessible around the clock, every day of the year, prepared to deal with complicated marine businesses as well as labor matters involving seamen.
- Reasonable registration fees with respect to other countries.
- Total exemption from taxes over income resulting from operations of vessels engaged in international trade.
- One of the best records on environmental and safety standards compliance and loss prevention; more than 1,000 inspectors.

### **3. Panama Maritime Authority**

Decree-Law No.7 of 1998 was enacted to modernize the maritime industry, already one of the most successful sectors of the Panamanian economy. Decree-Law No.7 created the Panama Maritime Authority as a Government Agency, endowed with autonomy, that concentrate administrative and fiscal powers of the maritime sector, powers that were, until then, executed by different agencies; the Maritime Authority is a supervising body, in charge of administering, promoting, regulating and implementing policies, strategies, rules and programs pertaining to this sector.

This governing body, in turn, comprises several Directorates: General Directorate of Ports, which coordinates port activities nationally; General Directorate of Marine and Coastal Resources, responsible for preservation of the marine environment and the control of industrial fishing activities; General Directorate of Seafarers, which controls training certification and watch over conditions of maritime personnel and ensures compliance with international conventions, and, last but not least, the General Directorate of Merchant Marine, which is in charge of ship registry and also enforces international safety and pollution regulations. This Directorate handles all the aspects of provisional and permanent registration of ships, recording of property titles and other rights “in rem” on Panamanian Flag Vessels, collecting taxes and other flag related costs.

#### **4. Ship Registry**

The registration of a vessel in the Panamanian Registry is simple and efficient. The enrollment consists of two stages: provisional and permanent.

##### **a) Provisional Registry**

Enables a vessel to be protected by our flag, under the Panamanian laws, with the issuance of a Provisional Certificate of Registration (also known as “Patent”) for a term of up to six (6) months and a Provisional Radio License valid for three (3) months. This term of six months is given as a kind of grace period during which the Panamanian Maritime Registry allows the owner of the vessel to provide all the necessary documentation in order to obtain a final or Permanent Registration. This term may be extended for an additional three (3) months if sufficiently good reasons for such extensions are considered.

##### **b) Permanent Registry**

This is the final stage which is accomplished once the owner has complied with all the necessary documentation required by the Merchant Marine Directorate, which in turn, enables the owner of the vessel to obtain a Permanent Patent, good for four (4) years for commercial vessels and two (2) years for pleasure vessels. Also, a Permanent Radio License is issued along with the Permanent Patent, which is good for four (4) years. Both the Permanent Patent and the Permanent Radio License are renewable indefinitely for equal terms as long as the vessel is in compliance with Registry laws and regulations and is up-to-date on the payment of Registry fees and taxes.

##### **c) Procedure for Registration of Vessels**

i) The application to register a vessel under the Panamanian flag may be filed with a Panamanian Consulate or directly with the Merchant Marine Directorate through a local attorney.

ii) In any case, the following documents are necessary for the filing and registration of the Provisional and Permanent Patents and Radio Licenses:

- Complete description of the Vessel (current and previous name, former nationality and type of service of the vessel; owner's name and address; shipyard, year and place of construction and name and address of builder; measurements including tonnage; type, number and horsepower of engines, type and number of cylinders and speed of vessel; classification entity; radio accounting authority; IMO number; and ISM Code if required, as in the case of vessels of more than 500 tons).
- International Tonnage Certificate (Safety and Technical) as per Solas Convention.
- Evidence that the applicant is the owner of the vessel. This evidence, as the case may be, should be supported by one of the following: Bill of Sale and Acceptance of Sale thereof, Builder's Certificate (in the case of a new vessel) or Title Deed obtained through Judicial Sale (if that was the case).
- Power of Attorney granted to a local attorney or law firm.
- Deletion Certificate with respect to its previous registry.

Please note that all documents must be notarized by a Public Notary of the country where they are issued or signed. The notary's signature must, in turn, be authenticated either by a Panamanian Consulate within its jurisdiction or by means of the international Apostil (Hague Convention of 1961).

It must be noted also that although regulations require that all the above referred documents be filed at the time the petition for enrollment is presented, the Marine Merchant Directorate does usually permit that a provisional registration be granted even if all documents are not available at that time. However, it is necessary that all documents be filed at least within six (6) months from the date that the provisional patent has been issued.

iii) Once the Consul has received the application, he will fax the Marine Merchant Directorate in Panama requesting the necessary authority to proceed with the provisional enrollment of the vessel. At that time, the applicant must indicate the name of the attorney, or law firm, that will act as representative of the vessel in this country.

iv) Usually, the Consul is authorized immediately by fax to proceed with the provisional registration. At the same time, Code Call Letters are assigned to the Radio Station aboard the vessel.

v) If done directly through a local attorney, the vessel owner submits the required documentation, registration fees, and legal fees and then the application is filed at the Marine Merchant Directorate and the registration fees are paid. Then, the Provisional Patent and Radio License are issued.

vi) Within months following the issuance of the provisional navigation patent, a copy of the Title Deed of the vessel shall be duly recorded in the Public Registry Office of the Republic of Panama. Subsequently, an application for a Permanent Navigation Patent and Permanent Radio License should be filed in Panama through an attorney.

#### **d) Documentary Rights**

i) Every vessel destined for international service shall pay, upon entering the Panamanian Merchant Marine, a sum for Documentary Rights, according to the following scale:

Vessels up to 2,000 Gross Tons (GRT)	US\$ 500.00
Vessels more than 2,000 GRT up to 5,000 GRT	US\$ 2,000.00
Vessels more than 5,000 GRT up to 15,000 GRT	US\$ 3,000.00
Vessels of more than 15,000 GRT	US\$ 3,000.00

Plus B/. 0.10 For each GRT or fraction thereof in excess of 15,000 GRT up to a maximum of US\$ 6,500.00 in all.

Fleet discounts are available for registration fee and tonnage tax.

Each vessel destined for international service, registered at the Panamanian Registry, must pay an annual tax of ten cents of a Balboa (US\$ 0.10) for each net ton or fraction thereof or registered net ton or fraction. Fleet Discount available (up to 50%) for a total registered tonnage of 100,000 GRT.

Vessels destined for international service registered at the Marine Merchant Directorate, shall pay an Annual Consular Tax, according to the following rates:

ii) Vessels for international service engaged in the maritime business, including passenger and fishing vessels, dredges, ferry boats, drilling and cargo vessels and tugboats:

Up to 1,000 GRT	US\$ 1,200.00
More than 1,000 GRT up to 3,000 GRT	US\$ 1,800.00
More than 3,000 GRT up to 5,000 GRT	US\$ 2,000.00
More than 5,000 GRT up to 15,000 GRT	US\$ 2,700.00
More than 15,000	US\$ 3,000.00

iii) Vessels destined for international service without self-propulsion and those engaged in scientific activities, supply ships, submarines, crew and exploration vessels, floating docks and other vessels not engaged in profitable or commercial activities, except those set forth in the preceding sub-section:

Up to 500 GRT	US\$ 850.00
More than 500 GRT up to 1,000 GRT	US\$ 1,400.00
More than 1,000 GRT	US\$ 1,800.00

iv) Vessels destined for International Service engaged in sports on personal non profit activities:

Up to 100 GRT	US\$ 1,000.00
More than 100 GTR	US\$ 1,500.00

v) Vessels destined for international service registered at the Marine Merchant

Directorate shall pay an Annual Inspection Fee, according to the following rates:

**Passenger Vessels:**

Up to 1,600 GRT	US\$ 900.00
More than 1600 GRT	US\$ 1,800.00

**Tankers:**

Up to 500 GRT	US\$ 500.00
More than 500 GRT up to 1,600 GRT	US\$ 750.00
More than 1,600 GRT up to 15,000 GRT	US\$ 1,000.00

**Cargo vessels:**

Up to 500 GRT	US\$ 500.00
More than 500 GRT up to 1,600 GRT	US\$ 750.00
More than 1,600 GRT up to 5,000 GRT	US\$ 850.00
More than 5,000 GRT up to 15,000 GRT	US\$1,000.00
More than 15,000 GRT	US\$ 1,200.00
Pleasure vessels	US\$ 400.00
Drilling vessels	US\$ 1,300.00

vi) Any other vessels not included in the preceding sub-sections:

Up to 500 GRT	US\$ 500.00
More than 500 GRT up to 5,000 GRT	US\$ 800.00
More than 5,000 GRT	US\$ 1,000.00

Every vessel destined to international service registered at the Marine Merchant Directorate shall pay an annual fee to cover the liability arising from maritime cause of action and for participation of the Government in international conferences and treaties, according to the following rates:

- Tankers, drilling platforms, passenger ships, tankers and vessels transporting chemical products US\$ 850.00
- Other types of vessels not specified in the preceding sub-sections, as follows:

Upto500GRT	US\$ 300.00
More than 500 GRT up to 10,000 GRT	US\$ 400.00

More than 10,000 GRT

US\$ 500.00

In addition, vessels listed here, shall pay US\$ 3.00 per net registered ton. Pleasure or personal vessels and those not self-propelled shall be exempted from this fee, except drilling platforms which are governed by sub-section a).

In case of amendment of the navigation patent of a vessel, as well as for execution of administrative acts related to the documentation of the vessels, the following rates shall apply:

Transfer of ownership	US\$ 1,000.00
Change of tonnage due to modifications in the structure or because of adherence to the laws established by the tonnage convention	US\$ 1,000.00
Change of the name of the vessel and/or name of the owner	US\$ 1,000.00
Change of the person responsible for the radio accounts	US\$ 500.00
Deletion from the Panama Registry	US\$ 1,000.00
Issuance of the regulatory patent because of loss or renewal of the same	US\$ 300.00
Reservation of a name for a vessel for more than 30 days	US\$ 20.00
Recordation of the charter party in relation to vessels registered according to Law 11 of January 25 <sup>th</sup> , 1973 plus B/.0.20 for each ton or fraction thereof	US\$ 150.00
Issuance of radio license because of loss or renewal of the same	US\$ 200.00
Extension or renewal of the provisional ship's patent, without prejudice to the provisions of Article 7 of January 17 <sup>th</sup> , 1980 (monthly)	US\$ 50.00
For the extension or renewal of the provisional radio license (for 3 months)	US\$ 150.00

**e) Taxes**

Panamanian laws offer a tax exempt status for revenue arising from international maritime commerce of merchant ships legally registered in the Republic of Panama,

whether the transportation contracts have been legally executed within Panamanian territory or not.

Panamanian laws do not consider as taxable income any capital gains resulting from the sale or transfer of a vessel dully registered in the international service of the Republic of Panama, even if the contract is executed within Panamanian territory.