RIS Discussion Paper # 316

Enhancing National Shipping Tonnage : Proposals for Tonnage Tax Reforms

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RIS-DP # 316

November 2025

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Abstract: Tonnage tax – which is levied on the net tonnage of a ship and not on the actual profits - has been identified in the Maritime Amrit Kaal Vision 2047(MAKV47) as a possible reform to improve the competitiveness of the Indian-flagged tonnage. The paper examines the Indian tonnage tax regime and compares it with that of prominent global maritime nations. The analysis reveals that the current tax provisions are not only among the highest compared to other maritime nations, but also levy a progressively higher tax on larger vessels, impose major restrictions and are cumbersome thereby possibly discouraging ship registration under the Indian flag. Based on this analysis, policy interventions by way of a new tonnage tax scheme for 'Enhancing India's Tonnage' has been proposed that would strengthen ease of doing business, reduce cost of doing business, and achieve the global tonnage ranking specified in MAKV47. Further, this policy intervention intends to incentivize the registration of green and larger vessels—crucial for strategic autonomy as India's economy and import needs grow—and promote sustainable shipping by offering a tonnage tax regime in alignment with global maritime best practices.

Keywords: Shipping, Tonnage Tax, Tonnage Income, Net Tonnage, DWT, Maritime Amrit Kaal Vision

1. Introduction

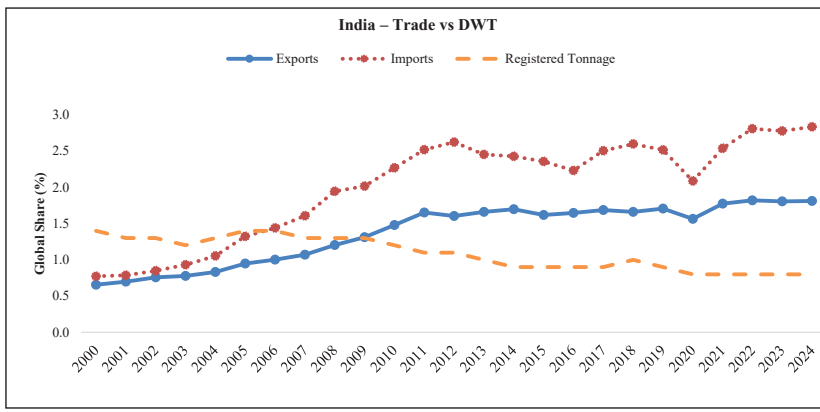
The *Maritime Amrit Kaal Vision 2047(MAKV47)*[1] highlights the importance of the maritime sector and presents over 300 action points across eleven themes to optimize the sector's full potential. One such theme identified is the requirement to 'Enhance Indian-Flagged shipping Tonnage.'

India is a key demand driver of global seaborne trade. In 2024, the country's merchandise imports reached US$ 701.6 billion[2], with seaborne import volumes growing at a compound annual growth rate (CAGR) of 2.9 per cent over the past decade—outpacing the global average of 1.7 per cent—and reaching approximately 830 million metric tons (MMT)[3]. In

comparison, India's merchandize export value reached US$ 442.6 billion[4] and volumes have grown at a more moderate pace, reaching about 225 MMT in 2024[5]. However, the Indian-flagged tonnage reported a modest 1.4 per cent CAGR[6] during the past decade.

Further, between 2000 and 2025, India's share in global exports and imports grew more than twofold and threefold, respectively. However, despite this surge in trade, the share of Indian-flagged tonnage (in terms of DWT)[7] in global shipping has declined over the same period (Figure 1), registering only a modest y-o-y growth of 1.3 per cent in 2024.

Figure 1: India's EXIM trade and Registered Tonnage (DWT)



Source: Author retrieved this data from UNCTADstat Data Center

Notably, over 93 per cent of international cargo with Indian origin or destination, and around 39 per cent of total Indian cargo, including coastal and offshore shipments, were carried on foreign-flagged vessels[8]. This reliance results in an estimated annual freight outflow of US$75 billion[9]. Apart from its economic penalties, a lack of Indian registered tonnage has repercussions in strategic terms – since the cargo is carried on foreign hulls, which may be denied in times of need, rejection by owners/charterers/managers to transit through hostile waters, trade sanctions, etc. As an example, the dependency on imports of crude oil and Liquefied Natural Gas (LNG) is 87.8 per cent and 50.5 per cent, respectively, with

a modest 28 per cent being carried in Indian ships, which could be a key vulnerability for energy security. In the case of coking coal, industry sources estimated that only about 15 of the 535 cargoes shipped from Australia to an Indian steel plant were carried on Indian ships in 2024.

The MAKV47 also notes that Indian-flagged vessels face competitive disadvantages compared to foreign counterparts, driven by factors such as restrictive safe manning regulations, seafarers' income taxation, direct taxes, IGST on ship imports, vessel age limits, and operational uncertainties from customs procedures. A major consideration is tonnage tax, which plays a critical role in influencing ship registration location, capital investment in fleet expansion, compliance costs, etc. The MAKV47 report states Indian-flagged vessels face a comparatively higher tax burden, including mandatory training obligations, etc. (Table 1)[10]. In contrast, foreign-flagged ships benefit from more favourable tax regimes and are typically not subject to such obligations in their flag state. This disparity places Indian-flagged ships at a competitive disadvantage and discourages domestic registration leading to several Indian owned companies preferring to register their ships in other jurisdictions (Appendix A).

Table 1: Competitive Advantage, Indian Vs Foreign Flag Ships

Operating Parameter for a Coastal Voyage	Indian Flagship	Foreign Flagship	Competitive Advantage rests with
Direct Tax	High rate of tax on income OR Tonnage Tax + training obligation. Annual Training cost of each cadet – Rs. 30 Lakh	Lower rate of tonnage tax and no training obligation	Foreign-flagged Ship

Source: MAK47 Document

This paper aims to benchmark India's current tonnage taxation system with that of prominent global maritime nations. Based on a comparative analysis of the tonnage tax regimes across these 10 select prominent

maritime nations, policy interventions for 'Enhancing India's Tonnage' are proposed.

2. Tonnage Tax

2.1 History of Tonnage Tax

The concept of tonnage tax evolved from rudimentary levies based on vessel size and cargo capacity to complex corporate tax structures. In most industrial sectors, corporate tax is generally levied on net profits, computed after accounting for income and deducting allowable business expenses. However, the global shipping industry has long posed unique regulatory and fiscal challenges owing to its mobile assets, multinational operations, multicurrency payments and receipts, operational and maintenance costs, periodic and emergency repairs, and the complex nature of the industry itself with multinational credentials. Several maritime nations, recognizing the challenges posed by the unique nature of shipping, introduced tonnage tax schemes as an alternative to corporate income tax, which offers shipping companies the option to compute tax liabilities based not on 'actual' book profits but on the 'presumptive income' derived from the net tonnage (NT) of their operating vessels. This presumptive tax system simplifies compliance, offers predictability in tax liabilities, and helps nations not only retain but also attract shipping by offering a competitive alternative to prevent 'flagging out' to more tax-friendly regimes.

Greece pioneered a tonnage tax regime in the 1970s,[11] but it was the Netherlands in 1996 that adopted the first modern tonnage tax system[12] that charged a fixed tax on the tonnage of the ship, termed the tonnage tax, instead of taxing corporate income. Other maritime nations followed, including the United Kingdom, Denmark, Germany, Belgium, etc. This was done to prevent 'flagging out' and retain the merchant fleet under their 'flag' for strategic reasons. Notably, the UK's adoption of tonnage tax in 2000 helped reverse the decline of its merchant fleet, demonstrating how such regimes can retain and attract tonnage[13].

2.2 Tonnage Tax Characteristics

The Tonnage Tax regime enables 'qualifying' shipping companies operating 'qualifying' vessels to calculate their Corporate Income Tax (CIT) liability based on the tonnage of their ships, rather than on actual corporate profits (or losses), as is typically required by businesses. In essence, it offers an alternative method for determining the taxable income of shipping businesses. While the tonnage tax regime varies across jurisdictions, it shares certain common features[14]:-

- *Qualifying activities:* Typically, shipping companies are taxed only on qualifying activities, primarily those related to 'maritime transport'. Some regimes may also extend coverage to additional services such as towage, dredging, or ship management.
- *Ownership:* To qualify for the tonnage tax regime, a shipping company must have some degree of ownership either by owning or having the right to use the vessel (e.g., via bareboat charter). It is often the case that the strategic or commercial management of the vessel is typically carried out (directly) by the owning company from its country of tax residence.
- *Lock-in-Period:* Certain tonnage tax regimes include a 'lock-in period' during which the qualifying companies are generally not permitted to switch to an alternative tax regime and require these companies to remain under the tonnage tax system for a fixed duration.
- *Capital Gains:* In some regimes, proceeds from the sale of a vessel or assets associated with international shipping operations are exempt from regular taxation.
- *Flag Requirement:* Some regimes impose conditions to avail the tonnage tax regime, such as a genuine link[15] between the vessel's flag state and the resident state of the vessel's owning company.
- *Management:* Management requirements for tonnage tax eligibility vary by country but generally involve four key areas: strategic (investment decisions along with other management activities),

commercial (chartering, affreightment, and cargo handling), technical-nautical (vessel operation), and crew management (recruitment and deployment of seafarers).

2.3 Core Principle of Tonnage Taxation

The core principle of tonnage taxation is that the tax liability is calculated based on the NT[16] of vessels instead of the 'actual' accounting profits from the exploitation of a vessel[17]. Therefore, the NT of the vessel, multiplied by a fixed amount of deemed profit per tonne per sailing day, determines the presumptive revenue, which is subject to prevailing CIT rates. All countries use a regressive scale system because smaller vessels tend to sail with higher revenue per tonne compared with larger vessels. Some countries have also done away with 'presumptive' income to a direct per-unit tax (fee) on the NT of the ship without engaging in any discussion on actual income or expenditure.

It is important to understand the characteristics of tonnage tax in the context of presumptive taxation. Presumptive tax is levied on a presumed base to approximate taxable income by indirect means[18], and in a similar manner, tonnage tax is calculated on the tonnage of a qualified ship rather than the actual profits of a shipping company. Shipping is a hard-to-tax sector, as vessels operate across international waters under multiple jurisdictions—a ship may fly the flag of one country, be owned or chartered by entities in another, managed elsewhere, and operated by a multinational crew. This complexity makes tonnage tax an efficient alternative for the ship owner, as it simplifies compliance, reduces monitoring costs, and prevents multiple layers of taxation across jurisdictions by tying liability to the flag state. Additionally, by basing tax on registered tonnage, it lowers compliance costs for tax administration due to low auditing requirements. It also curbs tax evasion, since tonnage records cannot be falsified.

2.4 Tonnage Tax Models

Tonnage tax models can vary across different regimes. For example, in the Greek Model, the taxable income was calculated on the Gross Registered Tonnage (GRT) of the vessel, and in the Dutch Model introduced in 1996, the taxable income was calculated on the NT of the vessel, since NT represents the potential cargo carrying capacity and hence the revenue source. Further, the computation of the tax liability is derived from two primary approaches:

- Model A: Under Model A, tonnage income is first calculated on a per-day per ton basis, grossed over the total operational days of the ship. Thereafter, the tax liability is determined by applying the prevailing CIT rate to the annual deemed tonnage income. Some countries that follow Model A include Denmark, India, Germany, Singapore (since 2025), and the United Kingdom.
- Model B: Under Model B, the annual tonnage tax liability is directly levied on the registered NT of the ship, irrespective of income, operational days, etc. Model B is adopted by Cyprus, Hong Kong, Liberia, Malta, the Marshall Islands (RMI), Norway, and Singapore.

3. Research Methodology

To provide a global perspective on tonnage taxation, the following section offers a brief overview of the maritime profile and prevailing tonnage tax regimes in select maritime countries.

3.1 Maritime Profile of Select Countries

The *Merchant Shipping* profile of the select countries, in terms of registration,[19] as of June 2025, is presented in Table 2[20].

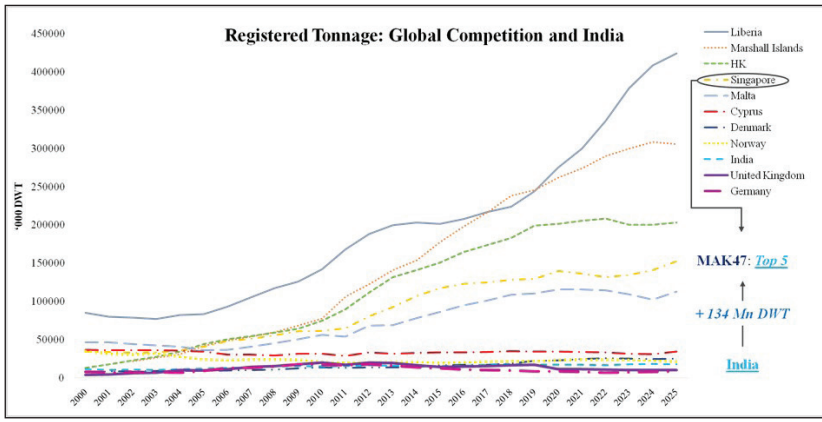
Table 2: Merchant Shipping Profile of Select Countries

Country	Registered Tonnage Profile (DWT)					
	Rank	Capacity ('000 DWT)	Capacity Share (%)	Vessels (Nos)	Vessel Share (%)	Average Vessel Size (DWT)
Model A						
India	20	18,021	0.7	1,928	1.7	9,346
Germany	29	8,711	0.4	602	0.5	14,470
Denmark	14	25,641	1.1	686	0.6	37,377
UK	25	10,327	0.4	794	0.7	13,006
Model B						
Cyprus	12	34,297	1.4	1,032	0.9	33,233
Hong Kong (China)	4	2,03,048	8.3	2,513	2.3	80,799
Liberia	1	4,24,063	17.4	5,562	5.0	76,243
Malta	7	1,13,194	4.6	1,949	1.8	58,077
Norway	16	21,354	0.9	1,731	1.6	12,336
RMI	3	3,05,471	12.5	4,254	3.9	71,808
Singapore	5	1,52,344	6.2	3,098	2.8	49,174

Source: Author retrieved this data from UNCTADstat Data Center

India currently ranks 20th globally based on registered tonnage. The MAKV47 document sets an ambitious goal for India to rank among the top 5 countries globally. Figure 2 presents the registered DWT in the sample countries over the period 2000-2025[21] and underscores the gap India must bridge to reach the top 5 ranking by 2047.

Figure 2: Registered DWT – India and the Sample Countries



Source: Authors compilation from UNCTADstat Data Center

Figure 3 presents the registered DWT for Singapore (line) and India (column) from 2020 to 2047, with values for 2026–2047 representing forecasts. Singapore is presently ranked 5th with 152 million DWT, accounting for a 6.2 per cent share of global tonnage, registering an average growth rate of 2.9 per cent between 2020 and 2025. Assuming that the growth rate would be maintained until 2047, Figure 3 illustrates that to match the projected DWT of Singapore in 2047, India's registered DWT must grow at a CAGR of 13.2 per cent in this period.

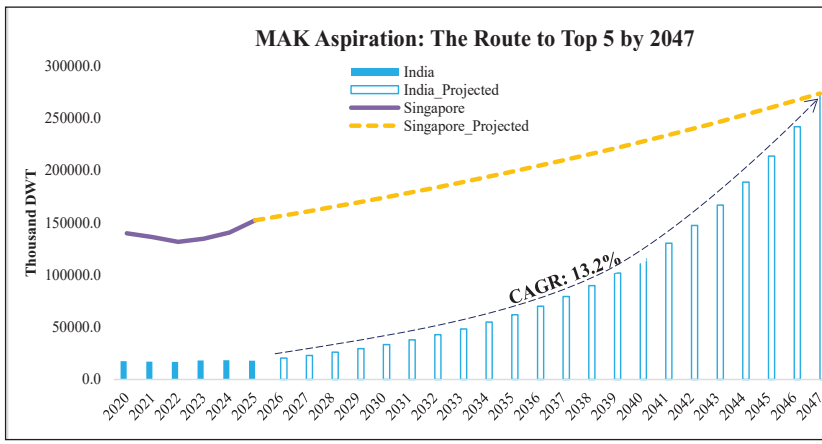
3.2 Emphasis on Larger Vessels

From Table 2, it is evident that the average vessel size (DWT) is the lowest for India at 9,346 tons. The focus would be to increase the average vessel size in India and not just higher number of vessels with lower average tonnage to achieve the MAKV47 target.

It has also been observed that the world average vessel size for all ship types has been increasing in new-build vessels, as presented in Table

3[22]. For example, less than four year old bulk carriers have an average vessel size of 83,752 DWT while it is only 50,202 DWT for more than twenty year bulk carries.

Figure 3: MAKV47 Aspiration: Achieving 5th Rank by 2047



Source: Author's calculation

Table 3: Age-wise Average Size of Ships by Vessels types (DWT)

Age Bracket (Years)→ Types of Vessels ↓	**0 - 4**	**5 - 9**	**10 - 14**	**15 - 19**	**≥ 20**
Bulk Carriers	83,752	80,858	75,558	68,374	50,202
Container Ships	68,382	81,065	63,231	42,856	28,566
General Cargo	6,246	5,777	6,673	4,715	2,743
Oil Tankers	88,519	74,244	66,393	63,151	20,977
Other Ship Types	7,942	7,144	4,554	6,764	3,109
All Ships	36,893	34,007	32,488	25,415	7,213

Source: Author Retrieved Data from Review of Maritime Transport, 2024

According to the Indian Shipping Statistics 2024, India currently has 489 vessels in its overseas fleet, which poses several risks, including limited control over supply chains during global disruptions, increased

freight outflows, and reduced leverage in international maritime trade. The emphasis towards encouraging vessels to be registered in India is to realise the following benefits:

- *Ability to attract Capital*: In the globalized world today, shipping finance is a highly specialized field. Tonnage tax is a key component of a vessel's flag/registration matrix, which global capital providers consider. A simplified tonnage tax regime will attract global investors to India's shipping, streamline Return on Investment (ROI) for investors, tremendously improve Ease of Doing Business and make the Indian flag more competitive.
- *Strategic Autonomy*: India imports 87 per cent of its crude oil requirements. To enhance energy security and reduce dependence on foreign-owned fleets, there is a growing need to expand the Indian-flagged tanker fleet. Most tankers currently used by state-owned oil companies are ageing and chartered from international players. Given the scale of crude imports, there is a pressing requirement for Very Large Crude Carrier (VLCC) and Very large Gas Carrier (VLGC) under the Indian flag to ensure long-term cost efficiency, fleet autonomy, and strategic control over vital energy logistics. In addition, commodity security, particularly coking coal, fertilisers, edible oil, and ores, is also vulnerable to foreign-flagged ships for which Suezmax bulkers (the largest vessel that can transit the Suez Canal fully laden), can be useful.
- *Lower Logistics Cost*: As noted earlier, India incurs an estimated annual freight outflow of US$75 billion, contributing to elevated logistics costs. This, in turn, drives up the overall cost of goods, making them less competitive in both domestic and international markets.
- *Lower Outgo of Foreign Exchange*: The freight cost per ton per mile reduces with vessel size therefore lower freight costs would save foreign exchange for the country.
- *Larger Indian Crew Employment*: India would further enhance the domestic employment opportunities in the maritime sector, spanning across onboard and ashore appointments.

- *Ship Repair and Ship Building*: Enhancing registered tonnage in India will ultimately lift the shipbuilding sector by bringing more orders to the domestic shipyards, and uplifting the ancillary activities such as ship repairing as well.
- *Other Multipliers*. The shipping services sector – such as ship finance, ship charter, ship sale, insurance, shore support, including bunkering and a variety of port-related businesses - will all witness a spurt in economic activity with growing tonnage and help achieve the vision of Viksit Bharat by 2047.
- *Ship Recycling*. Incentivising new build ships with clean and green fuels would encourage scrapping of older ships for ship recycling. Further, the policy to offer a 40 per cent incentive on the scrap value for ships built in India will yield added economic benefits.

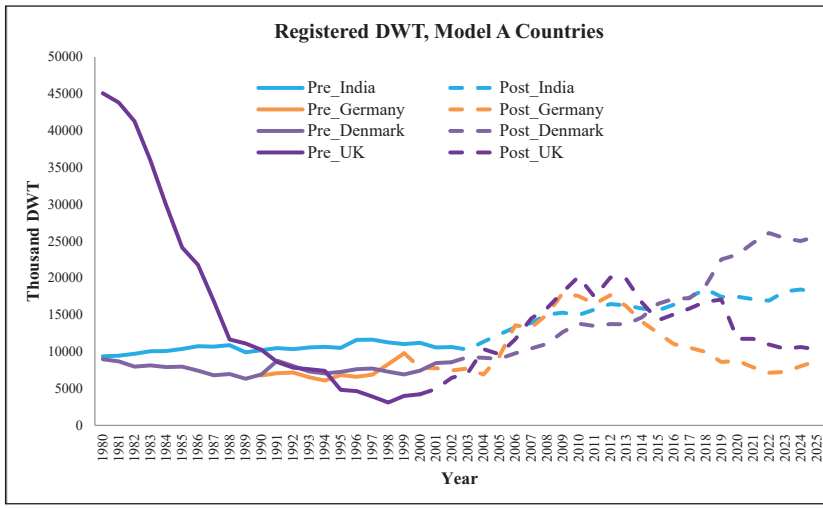
Several policy interventions can help achieve the MAKV47 target and these have been mentioned earlier. Going by industry inputs, one hypothesis is that the tonnage tax regime has a causal relationship in enhancing national DWT. The subsequent section examines this hypothesis.

3.3. Deadweight Tonnage And Tonnage Taxation: Possible Causality

Since this paper aims to propose a new tonnage tax regime, it would be productive to examine how national DWT was impacted in these sample countries following reforms in tonnage tax regimes. To assess the impact of tonnage taxation on a country's registered DWT, the merchant fleet data by flag of registration from 1980 to 2025[23] have been analysed separately under each model.

For the Republic of Marshall Islands (RMI), data is available only from 2002 onwards, although tonnage tax policies were introduced in 1990. Hence, only post-taxation trends could be shown. In the case of Singapore, the analysis is based on Model B, which reflects the annual tonnage tax under the Singapore Registry of Ships (SRS), implemented since 2001 (it has recently introduced tonnage taxation as per Model A, applicable from 2025).

Figure 4: Registered DWT Tonnage, Pre and Post Tonnage Taxation Scenario



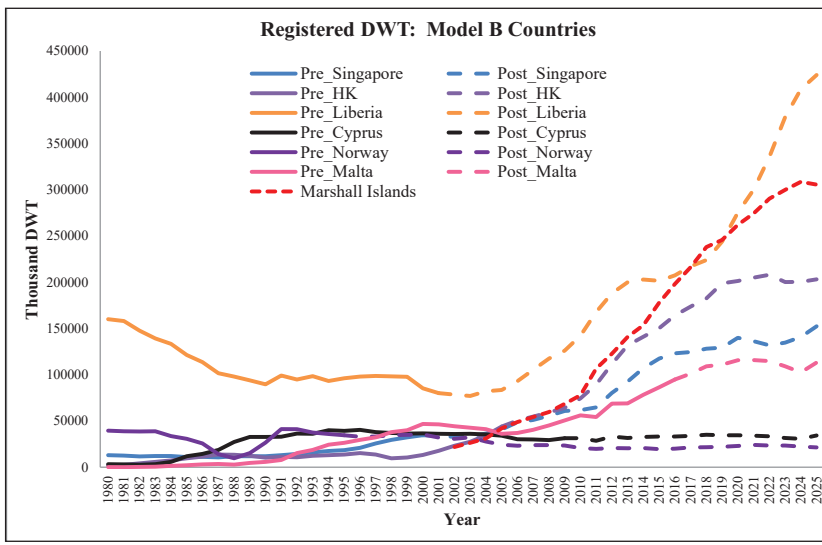
Source: Author Retrieved Data from UNCTADstat Data Center

Figure 4 presents the registered DWT for Model A countries with pre and post tonnage tax regime scenarios. The graphs illustrate the trend in registered tonnage, with the solid line representing pre-taxation levels and the dashed line indicating post-taxation levels. The following is observed:-

- India introduced the tonnage taxation scheme in 2004, and while there has been growth in registered tonnage since its implementation, the pace of growth has remained relatively subdued.
- Germany implemented the tonnage tax scheme in 1999 and initially experienced growth. However, after peaking between 2010 and 2012, registered tonnage declined, with a slight uptick observed since 2022.
- Denmark implemented the tonnage tax scheme in 2002 and has since experienced consistent growth, surpassing all other countries in the comparison.

- The United Kingdom, which initially held substantial tonnage under its flag, experienced a sharp decline, reaching the lowest level among the countries compared in 1998. In response, it introduced the tonnage tax scheme in 2000 to revive its fleet. This led to a strong recovery, with registered tonnage peaking around 2014, the highest among the group. However, growth has since been inconsistent and currently remains below the levels recorded by India and Denmark.

Figure 5: Registered DWT Tonnage, Pre and Post Tonnage Taxation Scenario



Source: Author Retrieved Data from UNCTADstat Data Center

Figure 5 presents the registered DWT in Model B countries with pre and post tonnage tax regime scenarios, with the solid line representing pre-taxation levels and the dashed line indicating post-taxation levels. The following is observed:-

- Singapore and Hong Kong introduced annual tonnage tax regimes in 2001 and 2006, respectively. Both countries have witnessed substantial growth in registered tonnage following the implementation of these schemes.

- Liberia already had the highest registered tonnage, even when it adopted the tonnage tax scheme in 2002, and since then, it has achieved resilient growth and continues to hold the highest tonnage among the countries compared.
- Cyprus implemented the scheme in 2010, and it holds the 3rd largest fleet after Malta and Greece in the European Union. It witnessed an 11.70 per cent growth y-o-y in 2025.
- Norway introduced its tonnage tax regime in 1996 and revised it in 2007. It has experienced stagnant growth, with no notable increase in registered tonnage.
- Malta introduced the tonnage tax scheme in 2017. However, as an already well-established maritime hub in the Mediterranean, it has since witnessed further growth in registered tonnage under its flag. The country is now reaping the benefits, emerging as a global leader in the super yacht industry.
- RMI has recorded a sharp rise in registered tonnage since 2002 and currently ranks just below Liberia in total tonnage among the countries analysed.

The above analysis suggests a causality between registered tonnage and tonnage taxation, though several other factors influence the registered tonnage in a country. It is important to note that the analysis does not quantify the causality between the two variables, but rather observes the trend in DWT growth following the introduction of tonnage taxation. The trend line also reveals that countries adopting the Model B tonnage tax regime have shown higher growth in registered national tonnage in the same period.

3.4. Tonnage Tax Regime in India

As summarized in Table 4 below, India offers three distinct regimes for taxing shipping income. These different regimes cause complexity in the taxation and challenge ease of doing business. Due to availability of different regimes, it becomes difficult for the shipping companies to attain tax certainty as the best suited regime for their business needs extensive

analysis. These alternate schemes for taxation reportedly require substantial professional advice to identify required documentation, mandatory 'supporting' and regulatory compliance to opt in or opt out of such regimes. Taxation under Section 44B and Section 172 leads to high effective tax rate but have less compliance conditions and more accounting requirements. India recently enacted the Income Tax Act, 2025 replacing the Income Tax Act, 1961. The new law will be effective from April 1, 2026. The corresponding clause for Tax regimes under the new law are presented in Table 4.

Table 4: Indian Tax Regimes for Shipping Companies

Tax Regime	Corresponding Tax Regime in Income Tax Act, 2025	Applicability	Basis of Taxation	Key Features
Section 44B	Section 61	Non-resident shipping companies	7.5% of gross receipts. Taxed at prevailing Corporate Income Tax rates.	Presumptive income; no deductions
Section 172	Section 316	Non-resident ships on Indian voyages	7.5% of gross receipts. Taxed at prevailing Corporate Income Tax rates.	Voyage-wise summary assessment
Tonnage Tax Scheme (TTS) Section 115V	Section 235	Indian resident companies operating qualifying ships	Based on presumptive daily net tonnage income of ships and taxed at prevailing Corporate Income Tax rates.	Optional regime; fixed daily income rates

Source: Income Tax Act, 1961 and Income Tax Act, 2025

Initially, the shipping companies in India were subject to the usual corporate tax regime of taxation under the Income Tax Act, 1961, with certain companies subject to a special tax deduction under Section 33AC of the Act[24]. India announced the Tonnage Tax Scheme under Chapter XII-G of the Income Tax Act, 1961; vide the Finance (No.2) Act, 2004[25], with effect from Assessment Year 2005-06. The Act was introduced to shift from the conventional method of computing income tax for eligible shipping companies to a presumptive income based on the NT of the ship and the number of operational days. This presumed income attracted the prevailing corporate tax rate under the provisions of Section 115BAA[26]. Chapter XII-G of the Income Tax Act, 1961[27], describes the "Special Provisions Relating to Income of Shipping Companies."

Section 115VG of Chapter XII-G Income Tax Act, 1961 outlines the methodology to estimate the tonnage income. Sub-Section (3) presents the daily tonnage income of a qualifying ship corresponding to the NT (Table 5).

Table 5: Daily Income Rates for the Qualifying Ships in India

Qualifying Ship having NT	Annual of Daily Tonnage Income
Up to 1,000	INR 70 for each 100 tons
Exceeding 1,000 but not more than 10,000	INR 700 *plus* INR 53 for each 100 tons >1,000 tons
Exceeding 10,000 but not more than 25,000	INR 5,470 *plus* INR 42 for each 100 tons> 10,000 tons
Exceeding 25,000	INR 11,770 *plus* INR 29 for each 100 tons > 25,000 tons

Source: Income Tax Act, 1961, Chapter XII-G

3.5. Computation of Tonnage Tax in India

The summary profile of India's registered merchant Fleet[28] is as shown in Table 6. The summary is aligned with the tonnage tax rate slabs as mentioned in Table 5. It can be seen that the highest number of ships are placed in the less than 1000 tons category and larger vessels number only 113 ships.

Table 6: Slab-wise Profile of Vessels Registered in India

Slab (tons)	<1,000	1,001 to 10,000	10,001 to 25,000	>25,000
No. of Ships	915	332	159	113
Average GT	506	4210	29150	61638

Source: Author Calculated Data from Indian Shipping Statistics, 2024

The estimation of the potential total annual tonnage tax accrual for the entire Indian merchant marine has been computed following the methodology outlined in Chapter XII-G of the Income Tax Act, 1961 and is placed at Table 7[29]. For this purpose, all the ships *have been classified* by converting their GT into NT (since the NT has not been indicated in the database) and then filtering for various brackets of NT as per Section 115VG to arrive at the total number of qualifying ships in each category. Thereafter, the average NT of that slab has been calculated. For ease of analysis, the following assumptions have been made to achieve uniformity across the selected countries.

- All shipping companies are 'qualified companies' and have opted for the scheme.
- As per the 'qualifying ships' definition, only ships equal to or above 15 NT have been factored in.
- NT has been estimated as 60 per cent of the GT of a ship[30].
- A total of 1,519 'qualifying' vessels have been identified.[31]
- To ensure analytical consistency, the operating days are assumed to be 365 per year, as the tonnage tax under Model B does not factor in operational days and considers only the NT.
- The estimated tonnage income has been subjected to taxation at the prevailing effective CIT rate of 25.168 per cent.

Table 7: Slab-wise tonnage income and tax collected in India

Slab	<1,000 tons	1,001 to 10,000 tons	10,001 to 25,000 tons	>25,000 tons
No. of Ships (n)	915	332	159	113
Average GT (a)	506	4210	29150	61638
Average NT: 60% of(a)	304	2526	17490	36983
Rounded-Off NT (r)	300	2500	17500	37000
Daily Tonnage Income (INR) (i)	210	1,495	8,620	15,250
Operational days (d)	365	365	365	365
Annual Tonnage Income (INR) (A) (d x i)	76,650	5,45,675	31,46,300	55,66,250
Total Income (INR) (I = n x A)	7,01,34,750	18,11,64,100	50,02,61,700	62,89,86,250
Total Income (INR)				138,05,46,800
Tonnage Tax per vessel (INR) (T = A x CIT rate)	19,291	1,37,335	7,91,861	14,00,914
Annual Tonnage Tax Collection for each slab (INR) (I x CIT rate)	1,76,51,514	4,55,95,381	12,59,05,865	15,83,03,259
Total Tonnage Tax Collection (INR)				34, 74,56,019

Source: Author's Calculation

Basis the above methodology, the possible annual presumptive income is of the order of ~INR 138.05 crore from the identified 1,519 vessels with NT > 15 tons, providing estimated tonnage tax revenue of ~INR 34.75 crore to the exchequer at the prevailing CIT rate of 25.168 per cent. The analysis also estimates the average tonnage income and the subsequent average tonnage tax liability by a vessel under each category. To illustrate, a vessel with NT 37,000 generates a presumptive tonnage income of ~INR 55.66 lakh and incurs a tonnage tax liability of ~INR 14.01 lakh on this presumptive income.

In the next section of the study, the tonnage tax regimes of the select countries are examined.

3.6. Tonnage Tax in Select Countries

3.6.1 Model A: Select Countries Tonnage Tax Regime

The current tonnage tax regime for India, Singapore,[32] Germany,[33] Denmark,[34] and the United Kingdom[35] has been analyzed under Model A, as given in Table 8. The slab-wise deemed tonnage income on per ton per-day basis with the INR equivalent rates and the applicable CIT rate on deemed tonnage income are also presented in the table.

Table 8: Deemed Tonnage Income for Model A Countries

Country	Qualifying Ship having NT	Daily Deemed Tonnage Income Rates		Equivalent Rate (INR)		Prevailing CIT
India	**Slabs**	**Fixed (INR)**	**INR/ 100NT**	**Fixed (INR)**	**INR/100 NT**	**25.168%**
	Up to 1,000		70		70	
	Exceeding 1,000 but not more than 10,000	700	53 (>1,000 tons)	700	53	
	Exceeding 10,000 but not more than 25,000	5,470	42 (>10,000 tons)	5,470	42	
	Exceeding 25,000	11,770	29(> 25,000 tons)	11,770	29	
Singapore (1 S$ = INR 66)	**Slabs**	**Fixed (S$)**	**S$/ 100NT**	**Fixed (INR)**	**INR/100 NT**	**17.00%**
	First 1,000 NT		0.9		59.4	
	First 1,000 NT; Next 9,000 NT	9	0.6 (>1,000 tons)	594	39.6	
	First 10,000 NT; > 10,000 NT	63	0.3 (>10,000 tons)	4,158	19.8	

Germany (1 € = INR 99)	**Slabs**	**€/100 NT**	**INR/100 NT**	**15.83%**
	First, 0-1,000 tons	0.92	91.1	
	Next, 1,001-10,000 tons	0.69	68.3	
	Next, 10,001-25,000 tons	0.46	45.5	
	Next > 25,000 onwards	0.23	22.8	
Denmark (1 DKK = INR 13)	**Slabs**	**DKK/100NT**	**INR/100 NT**	**22.00%**
	First 1,000 NT	8.97	116.6	
	Next 1001-10,000 NT	6.44	83.7	
	Next 10,000 - 25,000NT	3.85	50.1	
	Next >25,000 NT	2.53	32.9	
United Kingdom (1 £ = INR 117)	**Slabs**	**£/100NT**	**INR/100 NT**	**20.00%**
	First 1000 NT	0.60	70.2	
	Next 1001-10,000	0.45	52.7	
	Next 10,001-25,000	0.30	35.1	
	Next > 25,001	0.15	17.6	

Source: Author Retrieved Data from respective jurisdictions' Tonnage Tax Regime

Note: Singapore has recently introduced the Alternative Tonnage Taxation (ATT), a presumptive tonnage tax, effective from 2025. The UK tonnage tax requires participant companies to train a set number of cadets, with compliance obligations similar in spirit to India's requirement under Section 115VU.

3.6.2 Model B: Select Countries Tonnage Tax Regime

The annual tonnage tax regime for Singapore,[36] Hong Kong,[37] Liberia,[38] RMI,[39] Cyprus,[40] Norway,[41] and Malta[42] has been analysed under Model B is given in Table 9. The slab-wise annual tonnage tax rates and the INR equivalent rates are also provided.

Table 9: Annual Tonnage Tax Rates in Selected Countries for Model B

Country	Qualifying Ship having NT	Annual Tonnage Tax Rate		Equivalent Rate (INR)	
Singapore (1 S$ = INR 66)	**Slabs**	**Fixed (S$)**	**S$/NT**	**Fixed (INR)**	**INR/ NT**
	Every NT		0.2		13.20
	Min (500 NT)	100		6,600	
	Max (50,000 NT)	10,000		6,60,000	
Hong Kong (1HK$ = INR 10)	**Slabs**	**Fixed (HK$)**	**HK$/NT**	**Fixed (INR)**	**INR/ NT**
	First <1,000 NT	1,500		15,000	
	Next 1,001–15,000 NT		3.5		35.00
	Next >15,001 NT		3		30.00
	Max (24,000 NT)	77,500		7,75,000	
Liberia (1 US$ = INR 85)	**Slabs**	**Fixed (US$)**	**US$/NT**	**Fixed (INR)**	**INR/ NT**
	< 14,000 ton		0.422382		35.90
	≥ 14,000 tons	4,018	0.113322	3,41,530	9.60
	Min (2,200 NT)	929		78,985	
RMI (1 US$ = INR 85)	**Slabs**	**Fixed (US$)**	**US$/NT**	**Fixed (INR)**	**INR/ NT**
	≤ 2,500 tons	500		42,500	
	2,501-5,000 tons		0.2		17.00
	5,001-25,000 tons		0.17		14.50
	25,001-50,000 tons		0.15		12.80
	>50,000 tons		0.125		10.60
Cyprus (1 €= INR 99)	**Slabs**	**€/100NT**		**INR/NT**	
	First, 0-1,000 tons	36.50		36.135	
	Next, 1,001-10,000 tons	31.03		30.720	
	Next, 10001-25000 tons	20.00		19.879	
	Next 25,001 – 40,000 tons	12.78		12.652	
	Next 40,001 tons onwards	7.30		7.227	

	Slabs	NOK/100NT		INR/NT	
Norway (1 NOK = INR 8)	First 1000 tons	328.5		26.20	
	Next 1001-10000 tons	657		52.56	
	Next 10001-25000 tons	438		35.04	
	Next > 25,000 tons	219		17.52	
Malta (1 € = INR 99)	**Slabs**	**Fixed (€)**	**€/NT**	**Fixed (INR)**	**INR/ NT**
	0-6,250 tons	2,500		2,47,500	
	6,250-8,000 tons	2,500	0.4 (> 6,250 tons)	2,47,500	39.6
	8,000-10,000 tons	3,200	0.19 (> 8,000 tons)	3,16,800	18.81
	10,000-15,000 tons	3,580	0.14 (> 10,000 tons)	3,54,420	13.86
	15,000-20,000 tons	4,280	0.12 (> 15,000 tons)	4,23,720	11.88
	20,000-30,000 tons	4,880	0.09 (> 20,000 tons)	4,83,120	8.91
	30,000-50,000 tons	5,780	0.07 (> 30,000 tons)	5,72,220	6.93
	> 50,000 tons	7,180	0.05 (> 50,000 tons)	7,10,820	4.95

Source: Author Retrieved Data from respective jurisdictions' Tonnage Tax Regime

Note: Singapore introduced the above-stated Annual Tonnage Taxation in 2001, which is different from the recently launched ATT mentioned at (Table 8). RMI offers two tonnage taxation rate schemes, for analytical consistency, only Plan B (mentioned in its tonnage tax scheme) has been mentioned in Table 9. Similarly, for Cyprus, the tonnage tax for 'qualifying' managers has not been considered to maintain analytical consistency.

3.6.3 Analysis

The Annual Tonnage Tax that is levied in India for vessels of the average NT, as shown above, is then compared with the equivalent tax amounts levied in the other sample nations. The estimated tonnage tax has been computed using each country's tonnage tax formula for the same NT (the average NT of that category for India) in each of the slabs mentioned in Table 5 (Daily Income Rates for the Qualifying Ships in India). The consolidated slab-wise tonnage tax payable for the same NT, that is, the

average NT for each category in India (as obtained from Table 7(r)), under both models, across the selected countries, as per the rates applicable in those countries, has been presented in this section.

Model A: A comparative table of the deemed income computed annually for the same NT is presented below (Table 10).

Table 10: Country-wise Annual Presumptive Tonnage Income

Tonnage Income (INR)					
NT (tonnes)	**India**	**Singapore**	**Germany**	**Denmark**	**United Kingdom**
300	76,650	65,043	99,733	127,688	76,869
2,500	5,45,675	4,33,620	7,06,439	8,83,994	5,44,489
17,500	31,46,300	20,59,695	12,72,682	45,45,947	29,46,645
37,000	55,66,250	34,68,960	35,16,666	73,56,648	46,76,198

Source: Author's Calculations

The Tonnage tax on this deemed tonnage income, based on the same average NT, is then calculated using the prevailing CIT rates (Table 8) in each country and is presented in Table 11.

Table 11: Country-wise Annual Tax on Presumptive Income

CIT Rates→	**India**	**Singapore**	**Germany**	**Denmark**	**United Kingdom**
NT (tons)↓	*25.168%*	*17%*	*15.83%*	*22%*	*20%*
300	19,291	11,057	15,783	28,091	15,374
2,500	1,37,335	73,715	1,11,794	1,94,479	1,08,898
17,500	7,91,861	3,50,148	2,01,402	10,00,108	5,89,329
37,000	14,00,914	5,89,723	5,56,512	16,18,463	9,35,240

Source: Author's Calculations.

From Tables 10 and 11, the following can be derived: -

- Singapore imposes the lowest tax at smaller tonnage levels (300 NT and 2,500 NT); Germany has the lowest tax at higher tonnage

levels (17,500 NT and 37,000 NT) due to its steeply reduced rates for large ships.

- Denmark's tonnage tax is highest at lower tonnage, even higher than India's. The difference in tax collection between the two countries narrows as the tonnage increases, implying Denmark is charging much higher rates at the lower tonnage, and following the trend highlighted for Germany.
- India levies the highest tonnage tax across all slabs.

Model B: A similar approach, as followed in the preparation of Table 11 above, has been followed for Model B countries. The consolidated annual tonnage tax under different regimes payable for the same NT is presented below (Table 12).

Table 12: Country-wise Annual NT Tax

NT (tons)	Tonnage Tax (INR)						
	Singa-pore	**Hong Kong**	**RMI**	**Liberia**	**Cyprus**	**Norway**	**Malta**
300	6,600	15,000	42,500	78,985	10,841	7,884	2,47,500
2,500	33,000	67,500	42,500	89,756	82,215	1,05,120	2,47,500
17,500	2,31,000	5,80,000	2,52,875	5,10,096	4,61,706	7,62,120	4,53,420
37,000	4,88,400	7,75,000	4,71,750	6,97,928	7,62,627	12,35,160	6,20,730

Source: Author's Calculations.

From Table 12, the following can be derived: -

- Singapore levies the lowest annual tonnage tax overall, except for 37,000 NT (~ INR 4.88 lakh), where RMI has a slightly lower tonnage tax (~INR 4.71 lakh).
- Malta imposes the highest tonnage tax on 300 NT and 2,500 NT (~INR 2.47 lakh). However, for 17,500 NT and 37,000 NT, Norway levies the highest rates.
- Comparing Tables 11 and 12, India's tonnage tax (~INR 19,291 for a 300 NT vessel) is several times higher than Singapore's (~INR 6,600)

and even exceeds Liberia's or Norway's charges at every tonnage level. In fact, at 37,000 NT, India charges ~INR 14.0 lakh versus ~INR 4.9 lakh in Singapore and ~INR 7.0 lakh in Liberia.

The comparative analysis indicates that India imposes a relatively high tonnage tax. While Denmark has the highest rates, it ranks 14th in the global list of flags of registration, compared to India's 20th position, partly due to a lower tax burden on higher tonnage.

4. Case Study – Great Eastern Shipping Company

A case study has been taken up to illustrate the real-world impact of different tonnage tax regimes on an Indian company, the Great Eastern Shipping Company. The tax liability of the company in different maritime regimes is summarized in Table 13 (details in Appendix B). Barring Denmark, Great Eastern Shipping has the highest aggregated annual tax liability under the Indian tonnage tax regime.

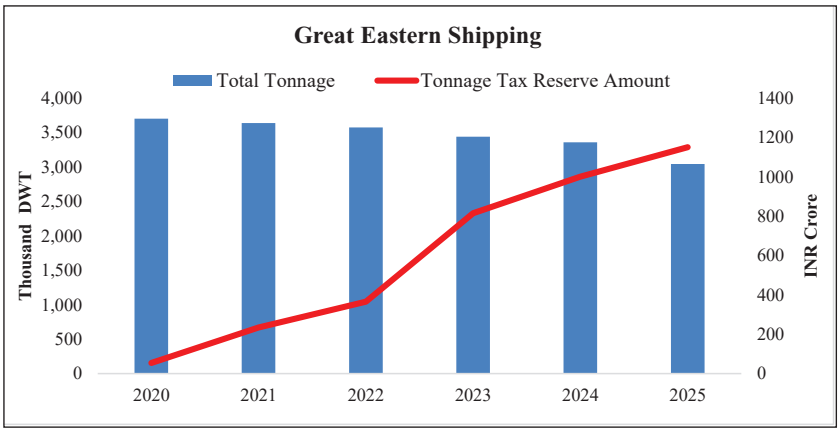
Table 13: Country-wise Annual Tonnage Tax Liability for Great Eastern Shipping Company

Countries		Tonnage Tax (INR)
India		4,22,52,203
Singapore	Model A	1,79,14,071
	Model B	1,35,81,480
Hong Kong		2,67,62,000
Liberia		2,30,17,765
RMI		1,34,44,195
Cyprus		2,32,89,526
Norway		3,87,13,944
Malta		2,04,80,823
Germany		3,03,11,960
Denmark		5,04,13,115
United Kingdom		2,95,26,664

Source: Author's Calculations

The company's annual report for FY 2024–25[43] has been reviewed, and the tax liability has been seen to be largely aligned with the estimated tonnage tax figures (details are placed at Appendix B). Notably, the tonnage tax reserve maintained by the company under Section 115VT continues to increase rapidly whilst the owned DWT has reduced over the last five financial years, as can be seen from Figure 6. An amount of INR 1,150 crore remains moribund in the tonnage tax reserve account as of 31st March 2025.

Figure 6: Great Eastern Shipping-Tonnage Tax Reserve and Fleet Tonnage



Source: Author Retrieved Data from Company's Annual Reports

5. Other Related Issues

In addition to the higher tax liability in India, other restrictive and unfavourable requirements exist that create several compliance hurdles.

- First, maintaining a detailed accounting document (Section 115VW), exclusion of deductions and set off (Section 115VL and 115VM), calculation of depreciation on capital assets (Section 115VK), chargeable gains (Section 115VN), treatment of common costs on 'reasonable' basis (Section 115VJ) etc., among others to determine

the book profit for transfer of profits to tonnage tax reserve account (Section 115VT). This is an exercise and requires the mandatory 'supportings' to stand up to tax audits.

- Second, a minimum level of training requirement (Section 115VU) in respect of trainee officers has been mandated to avail of the tonnage tax scheme, which again requires substantial paperwork and is a cost item.
- Third, the limit for charter has been specified (Section 115VV).
- Fourth, Section 115VI sub section (8) provides that "*where it appears to the Assessing Officer that, owing to the close connection between the tonnage tax company and any other person, or for any reason the course of business between them is so arranged that the business transacted between them produces to the tonnage tax company more than the ordinary profits which might be expected to arise in the tonnage tax business, the Assessing Officer can take the amount of income as may reasonably be deemed to have been derived there from*"[44]. The words in italics have a highly subjective context, and this creates scope for discretionary interpretation and potential malpractices.
- Fifth, the requirement to transfer profits to Tonnage Tax Reserve Account under Section 115VT, of an amount not less than twenty per cent of the book profit derived from the tonnage tax activities, also blocks up capital for no useful purpose and requires maintenance of a parallel set of accounts.

These are some complexities that need to be eliminated to bring transparency to the process and create a simple, implementable, tonnage tax regime for shipping companies so that the *Viksit Bharat* aspirations are supported by MAKV47.

6. Recommendations

6.1 New Tonnage Tax Scheme

The objective is to enhance registered shipping tonnage and improve sector performance by reforming and rationalising the current tonnage

tax regime and transforming it into a simplified Model B structure. As observed, major maritime nations maintain simple, low-rate and simple tonnage tax regimes to retain and enhance flag tonnage. India must do the same.

The proposal aims to compute tax liability directly on the NT - the revenue generating capacity of the ship - as against the previous regime of taxing the deemed tonnage income. Similar steps have been taken by the government in the past to spur growth in target sectors by introducing presumptive taxation schemes for select sectors. Precedence exists in that a similar tax regime was introduced[45] for some industries under indirect taxes, where tax is levied on the annual capacity to manage tax evasion, similarly, presumptive nature of tonnage tax makes the tax liability predictable, easier to estimate and avoids tax evasion as it is levied on the tonnage of a vessel which is difficult to falsify. Some examples include small transport operators (having less than 10 vehicles) under Section 44AE[46] and for non-resident oil and gas companies in section 44BB[47] of the Income Tax Act. Recently, in the Finance Act, 2025, the government provided presumptive taxation under Section 44BBD[48] for non-residents engaged in electronics manufacturing in India by deeming 25 per cent of total revenues as their income. A similar bold step for shipping is timely, where only capacity, that is, NT of the 'qualifying' ship is the key consideration for tonnage taxation. A comparable tax regime could be developed to provide beneficial tax treatment to the shipping industry, where tax is charged according to capacity to generate revenue, rather than on the income accrued, resulting in a simple, predictable, and beneficial tax structure. Given the above, the following policy recommendations are proposed: -

- Transition from Model A to a simplified Model B system which abolishes the tonnage-income computation and instead charges a fixed fee per NT along with the one-time registration fee.
- No need to maintain records of days of operation.
- No tonnage reserve account, no minimum training requirement, no complex compliance conditions, and no special accounting rules – a clean break from the current Chapter XII-G complexities.

- No tonnage or any other tax has to be paid by the owners, charterers, or managers of vessels of NT less than 100 tons to encourage small businesses. However, registration and licence fees would be payable as applicable.
- Chapter XII-G, presenting the "Special Provisions Relating to Income of Shipping Companies," may be reviewed as the law is lengthy and requires restructuring. A detailed summary of proposed reforms in Chapter XII-G is placed at Appendix C.

The transition to simpler tonnage tax regime is expected to bring following benefits (Table 14):-

Table 14: Benefits of Reformed Tonnage Tax Scheme for India

Benefit	Impact
Simplified Compliance	Easier for companies to plan and file returns
Predictable Tax Liability	Encourages fleet expansion and long-term investment
Global Competitiveness	Aligns with regimes of major maritime countries
Reduced Litigation	Fewer disputes over classification and applicability
Policy Clarity	Easier for regulators to monitor and enforce compliance

Source: Author's Calculations.

6.2 Proposed Tonnage Tax Rates

Towards transitioning to a Model B approach for tonnage taxation, the rates in Model B countries were analysed to determine a suitable and optimal structure for Indian shipping, given its existing profile of small tonnage ships having the largest share in the fleet mix, as depicted earlier in Table 6.

For this analysis, multiple models were simulated to identify the most competitive taxation rates in comparison with other tonnage tax regimes. After careful consideration and analysis of multiple models, the following tonnage tax rates in INR/NT are proposed as amendment to existing Section 115VG of the IT Act, 1961. Accordingly, the proposed per NT tax rates (INR/NT) are summarised below in Table 15. These rates are deliberately set lower (especially for larger vessels) than India's current effective rates and are competitive with that of Model B countries to make Indian registries more attractive for larger vessels.

Table 15: Proposed Tonnage Tax Rates

Slabs	Proposed Tax (INR/NT/Year)
Up to 1,000 tons	35
Next 1,001 to 10,000 tons	30
Next 10,001 to 25,000 tons	24
Next 25,001 to 40,000 tons	17
Next > 40,000 onwards	9

Source: Author's Calculations.

Therefore, the strategy behind proposing the above rates (Table 15) is to favour Very Large Crude Carriers (VLCCs) /Very Large Container Carriers (VLCC)/Suezmax Bulk carriers vessels to register in India, while exempting registered 'qualifying' ships of less than 100 NT (about 302 vessels)[49] from tonnage taxation liability in line with the Government's policy of supporting small businesses and ease administrative burden.

For further clarity, an illustrative computation for a 37,000 NT vessel under existing and proposed regimes is placed in Table 16. Among the various international tonnage tax frameworks reviewed, the Cyprus model stands out as the most appealing due to its simplicity, therefore, the tonnage tax computation from proposed rates are as per its methodology.

Table 16: Existing vs. Proposed Computation of Tonnage Tax in India

Tax Computation for a 37,000 NT Vessel			
Existing Tax (Table 7)	**INR**	**Proposed Tax (Table 15)**	**INR**
Fixed Income (A)	11,770	Up to 1,000 tons	35
Variable Income (for each additional 100 tons above 25,000 tons) (B)	29	Next 1,001 to 10,000 tons	30
Daily Tonnage Income (C = A + ((37,000 -25,000)/100)*B)	15,250	Next 10,001 to 25,000 tons	24
Annual Tonnage Income (D = C*365)	55,66,250	Next 25,001 to 40,000 tons	17
Daily Tonnage Income (C = A + ((37,000 -25,000)/100)*B)	15,250	First 1,000 NT (G)	1,000*35
Annual Tonnage Income (D = C*365)	55,66,250	Next, (10,000 -1,000 NT) (H)	9,000*30
CIT (E)	25.168%	Next, (25,000 - 10,000 NT) (I)	15,000*24
Tonnage Tax (F = D*E)	**14,00,914**	Next, (37,000 - 25,000 NT) (J)	12,000*17
		Annual Tonnage Tax (K = G+H+I+J)	**8,69,000**

Source: Author's Calculations.

Under the proposed tonnage tax regime, the tax liability for a vessel of 37,000 NT would be reduced significantly, from approximately ~INR 14.01 lakh to around ~INR 8.60 lakh, reflecting a 38% decrease.

6.3 Flexible Payment Options

To further make the tax regime more flexible, the tonnage tax may be paid in two ways:

- *One-time Payment*. Along similar lines to 'road tax,' at the time of registration, the company can pay the cumulative annual tonnage tax amount on the NT of the qualifying ship. The cumulative tax will be payable for the remaining life of the vessel as per the DG Shipping notification. For example, if the qualifying company registers a qualifying ship with an anticipated operational residual life of seven years, it may opt to pay the cumulative annual tonnage tax amount for the entire seven-year period upfront to the registrar with an appropriate discount rate set to roughly equate to net present value of annual payments, to ensure it is financially neutral for the exchequer while attractive for ship owners.
- *Yearly Payments*. Based on the framework of 'property tax,' the company can opt for annual payment of the tax amount at the time of initial registration or renewed registration, and then annually on the yearly recurrence of the registration date of the vessel.
- The company can opt for any of the payment methods at its discretion.

6.4 Tax Rebates for Green Ships

MAKV47 identifies the 'Green Maritime Sector' as a key theme and advocates for "incentives to promote the development of low-carbon vessels[50] and retrofitting of existing fleets."[51] It further recommends introducing green initiatives, including tonnage tax rebates for compliant vessels. Countries like Singapore, Cyprus, and Norway provide environmental rebates to promote sustainable shipping. For example, in Cyprus, a vessel that adopts equipment or technologies aimed at preserving the marine environment and mitigating the effects of climate

change, the applicable tonnage tax payable by the shipowner may be eligible for a reduction of up to 30 per cent of the standard tonnage tax rates[52].

It is proposed that Indian-flagged vessels adopting alternative (clean) fuels for propulsion should be eligible for a 33 per cent reduction in the applicable tonnage tax rates presented in Table 17. This will introduce new build ships and lower the average age of ships of the Indian fleet making it more efficient.

Table 17: Proposed Tonnage Tax Rates for Green Shipping

Slabs	Proposed Tax (INR/NT)
Up to 1,000 tons	23.5
Next 1,001 to 10,000 tons	20.1
Next 10,001 to 25,000 tons	16.1
Next 25,001 to 40,000 tons	11.4
Next > 40,000 onwards	6.0

Source: Author's Calculations.

6.5 Global Benchmarking of Proposed Tonnage Rates

A comparative study has been done by applying the tonnage tax rates applicable in the selected countries for different NT slabs. The tonnage tax liability computed as per the proposed rates (Table 15) is shown in Table 18. Singapore and Hong Kong have capped the maximum tax payable as indicated (Table 9) for vessels with NT >50,000 and NT>24,000, respectively, and hence, the tabulated global averages have decreased as highlighted in red in Table 18. The rate charged by Liberia and Malta is very high for NT ≤ 1,000 tons, increasing the Global Average Tax to 102 per cent of India (G/E) as shown in Table 18.

Further global averages have been computed to benchmark the Indian tax liability both in absolute terms as well as a ratio to the global average for that NT slab. A 30,000 NT vessel in India presently incurs a tax liability of ~INR 12.14 lakh. Under the proposed regime, this would

be reduced to ~INR 7.50 lakh—slightly above the open registries like Liberia (~INR 6.30 lakh) and Hong Kong (~INR 7.75 lakh), thereby enhancing India's tax competitiveness for large vessels. The regressive rate structure (lower per-ton charge on larger ships) is designed to correct the current skew, where ~60 per cent of Indian-registered vessels are small (NT ≤ 1,000 tons).

To illustrate the ratio concept, if a 30,000 NT vessel has a tax liability of ~INR 1 in India, the comparative tax liability is only ~INR 0.53 (average) in Model B countries. The proposed rates reduce India's tonnage tax liability to ~INR 0.62, making the new regime more competitive with Model B countries, excluding Singapore and Hong Kong which have capped the tonnage tax as mentioned above.

No capping of the Tonnage tax is presently proposed, though a cap at NT> 100,000 tons could be considered to attract the larger ships to the Indian Registry.

6.6 Impact on Tax Revenues

The reformed tonnage tax regime would initially lead to a decline in total tax revenue from the current ~INR 34.75 crore to about ~INR 20.67 crore across the 1,519 qualifying ships registered in India. However, this shortfall is expected to be recovered rapidly as the revised rates stabilize and stimulate fleet expansion. Further, such enhanced tonnage would also contribute to the national exchequer by way of indirect taxes on services and goods, custom duties and direct taxes on a larger workforce. The impact of proposed rates on the expected tonnage tax collection has been analysed across the following three scenarios. The study assumes aggressive and conservative scenarios as 100 per cent and 50 per cent, respectively, of the tonnage tax revenue collected under the existing regime, highlighting that by targeting larger vessels alone, the proposed rates could potentially double the revenue under the new regime.

- *Business As Usual (BAU):* The aim is to achieve the same amount of tonnage tax collected under the present tonnage tax regime post adoption of the proposed tonnage tax rates and estimate the number

Table 18: Existing vs. Proposed Tonnage Tax Payable & Global Benchmarking (Fig. in INR)

Countries	NT							
	1000	**10000**	**20000**	**30000**	**40000**	**50000**	**100000**	**200000**
India (Existing) (E)	64,304	5,02,492	8,88,317	12,14,432	14,80,835	17,47,238	30,79,254	57,43,287
Singapore	13,200	1,32,000	2,64,000	3,96,000	5,28,000	**6,60,000**	**6,60,000**	**6,60,000**
HK	15,000	3,30,000	6,55,000	**7,75,000**	**7,75,000**	**7,75,000**	**7,75,000**	**7,75,000**
RMI	42,500	1,44,500	2,89,000	3,82,500	5,10,000	6,37,500	10,62,500	21,25,000
Liberia	78,985	3,59,025	5,34,177	6,30,501	7,26,825	8,23,149	13,04,767	22,68,004
Cyprus	36,135	3,12,612	5,11,404	6,74,061	8,00,583	8,72,853	12,34,203	19,56,903
Norway	26,280	4,99,320	8,49,720	11,12,520	12,87,720	14,62,920	23,38,920	40,90,920
Malta	2,47,500	3,54,420	4,83,120	5,72,220	6,41,520	7,10,820	9,58,320	14,53,320
Global Average Tax Paid (G)	65,657	3,04,554	5,12,346	6,48,972	7,52,807	8,48,892	11,90,530	19,04,164
Global Average Tax as % of India (G/E)	102%	61%	58%	53%	51%	49%	39%	33%
India (Proposed) (P)	35,000	3,05,000	5,45,000	7,50,000	9,20,000	10,10,000	14,60,000	23,60,000
India Proposed (%) (P/E)	54%	61%	61%	62%	62%	58%	47%	41%

Source: Author's Calculations.

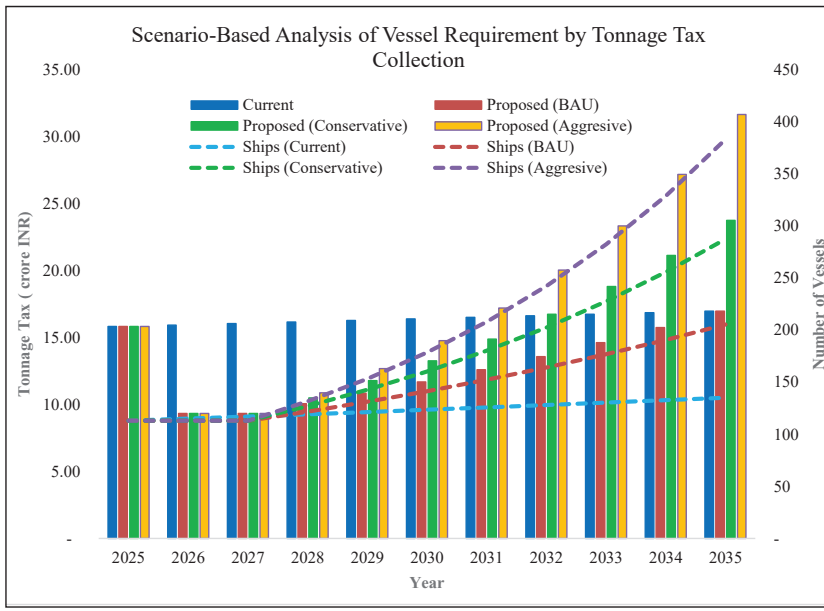
of 'unit vessels' required to achieve this target over the next 10 years. Therefore, BAU presents the number of unit vessels required to cover the shortfall in revenue that will occur after introducing the proposed rates.

- *Aggressive:* The aim is to achieve double the amount of tonnage tax collected under the present tonnage tax regime through the proposed tonnage tax rates and estimate the required number of 'unit vessels' to achieve this target over the next 10 years.
- *Conservative***:** The aim is to achieve an increase of 50 per cent of the amount of tonnage tax collected under the present tonnage tax regime through the proposed tonnage tax rates and estimate the required number of 'unit vessels' to achieve this target over the next 10 years.

The focus is on ships with higher DWT. Therefore, the impact of the proposed rates has been estimated only for the ships falling under the category of NT > 25,000 tons (according to the slabs in Table 6). Currently, India has 113 vessels in this slab with an average NT of 37,000 tons and an average DWT of 103,000 tons (See Appendix D). The objective is to strengthen India's registered tonnage by focusing on the right type of tonnage—specifically, by increasing the average registered DWT from the current 9,346 DWT by inducting larger vessels into the fleet, rather than focusing on smaller ships.

In the extant case, the required number of ships estimated in Figure 7 for each of the three scenarios has an average DWT of 103,000 tons. This is defined as the 'unit vessel' for this analysis.

Figure 7: Unit Vessel Requirement under Various Tonnage Tax Collection Scenarios



Source: Author's Calculations

It is anticipated that both tax revenue and the number of vessels in the national fleet will begin to rise only from 2028 onwards, while the period between 2026 and 2027 is expected to witness consolidation after the proposed tax regime is accepted by the shipping companies. The average growth rate of registered tonnage has been 0.6 per cent during 2020-25. For modelling purposes, the current tonnage tax is also assumed to increase by 0.6 per cent over the next 10 years. The following is observe:

- India's current tonnage tax revenue growth is depicted in blue. With an expected growth rate of just 0.6 per cent over the next 10 years, both the revenue growth and the number of vessels required to achieve it remain flat.
- The Business as Usual (BAU) Scenario has been depicted in orange. The proposed tax rates will require the fleet to grow to 205-unit

vessels from the current 113, to achieve the level of tonnage tax revenue collected under the current regime.

- The Conservative Scenario has been depicted in green. The proposed tax rates will require the fleet to grow to 287-unit vessels from the current 113 to achieve 1.5 times the level of tonnage tax revenue collected under the current regime.
- The Aggressive Scenario has been depicted in yellow. The proposed tax rates will require the fleet to grow to 383-unit vessels from the current 113, to achieve 2 times the level of tonnage tax revenue collected under the current regime.

Following this reform, the National DWT is expected to increase (for the NT > 25,000 category alone) from the current 11.64 million DWT to 21.2 million, 29.5 million, and 39.4 million DWT under the BAU, Conservative, and Aggressive scenarios, respectively, assuming the additional unit vessels average 103,000 DWT. If other vessels are added realising the MAKV47 aspiration is feasible.

An initial dip in revenue is anticipated, attributable to the long gestation period required for registration of vessels in India. Over time, the tonnage registered under the Indian flag is likely to grow, leading to a corresponding increase in revenue (presumptive tax does not seek to maximize the tax revenues but to reinforce tax compliance,[53] in a similar spirit, the proposed new rates only aim to enhance the competitiveness of India's tonnage tax regime relative to other registries with substantial tonnage under their flags).For instance, a VLCC of approximately 200,000 NT currently faces a tax liability of around ~INR 57.43 lakh. Under the proposed rate, this would reduce to ~INR 23.60 lakh (Table 18). However, with a larger number of such vessels joining the Indian fleet, the overall revenue generated is expected to rise. The objective is to register a greater share of the global fleet by tonnage, with tax accruals stabilising and balancing out over the longer term.

The current assessment focuses solely on unit vessels of 103,000 DWT. Smaller vessels are also likely to be registered in India, leading to further enhancement of national tonnage. It may be further noted that this

analysis is only attributable to the 'direct taxation' through the revised tonnage tax scheme and, as mentioned in MAKV47, other incentives, including ease of registration, safe manning rules, IGST on import of ships, custom provisions, etc., will contribute towards achieving the said targets.

The increased tonnage is crucial for achieving *atmanirbhar* status in the shipment of EXIM cargo, particularly crude, LNG, coking coal, fertilisers, and ores in the short term, and hydrogen and ammonia in the mid-term. This approach shows that the MAKV47 target for climbing to the 5th largest registry is achievable in the *Amrit Kaal*.

7. Conclusion

Taxation plays a critical role in a shipping company's choice of flag state and can significantly contribute to a country's total registered tonnage. Tonnage Tax schemes offering a simplified and predictable tax regime that enhances the competitiveness of the sector have therefore, emerged as a pivotal policy tool in the shipping industry. The economic benefits of such schemes include fostering investment, job creation, and fleet modernization, while the geopolitical implications range from enhancing a country's strategic positioning in global maritime affairs to national maritime security. The environmental benefits of tonnage tax schemes are equally significant, as these frameworks can be strategically structured to support sustainable shipping, encourage carbon emission reductions, transition to green fuels etc. Such schemes can also offset business risks arising from the volatility of the shipping business, overcome trade barriers, sanctions, etc. which are mitigated by ownership of the fleet in Indian hands with some sovereign assurance of EXIM and coastal cargo.

The existing tonnage tax regime, announced in 2004, has not enhanced India's shipping competitiveness. India has fallen from 16th in 2005 (year of tonnage tax implementation) to 20th globally in fleet size, reporting a CAGR of 1.9 per cent against the global growth of 5.1 per cent[54]. Owners of ships have relocated their businesses to other countries

(Appendix A). The scheme's onerous requirements and meagre outcomes are also evident, generating merely ~INR 34 crore in annual tax revenue with negligible fleet expansion. Therefore, it is timely that the 2004 tonnage taxation regime be revisited to align with modern concepts and market realities. This study has been undertaken to develop a strategy to enhance the registered tonnage and facilitate the expansion of the shipping fleet in India, aligning with the goals of MAKV47.

In line with this objective, India's tonnage tax regime has been analysed and benchmarked against jurisdictions with substantial registered fleets. The comparison reveals that India imposes a higher tonnage tax across all slabs. In the sample countries, the larger vessels are taxed at a lower rate than smaller vessels, thus attracting higher volume shipping to the country.

After some analysis, a new annual tonnage tax regime has been proposed. This departs from the present methodology of computing presumptive tonnage income per day aggregated over the operational days in a year to a simple tonnage tax based on the potential earning capacity of a ship, that is, its Net Registered Tonnage. Precedence for such an approach is found in several other countries, and laws also exist for 'taxing earning capacity for select industries and activities on presumptive income basis rather than on actual profits' as described earlier. The proposed model seeks to reduce compliance costs on the shipping companies by simplifying the calculation of tonnage tax, removing additional requirement of training, maintaining a tonnage tax reserve, exempting small shipping entities, promoting green shipping through tax rebates and providing flexible payment options. The removal of additional requirements reduces monitoring costs for tax administration. Care has been taken to encourage green and sustainable shipping through lower tax liability on the adoption of green fuels. Also, to encourage small businesses, tonnage tax on qualifying ships of less than 100 NT has been exempted. A summary of the proposed tonnage tax rates per NT is placed in Table 19.

Table 19: Proposed Tonnage Tax Rates (INR/NT)

Slabs (Net Tonnage)	Regular Tax Rate	Green Tax Rate
Up to 1,000 tons	35	23.5
Next 1,001 to 10,000 tons	30	20.1
Next 10,001 to 25,000 tons	24	16.1
Next 25,001 to 40,000 tons	17	11.4
Next > 40,000 onwards	9	6.0

Source: Author's Calculations.

The recommended rates are in alignment with global averages and are adequately competitive to attract the relocation of shipping companies to India. Proposals to Review/Revise/Remove restrictive provisions under various sections under Chapter XII G of the IT Act (aligned with the corresponding Sections of the draft Income Tax Bill, 2025) are detailed in Appendix C.

These reforms are expected to fulfil the twin objectives of facilitating ease of doing business - deregulation by bringing a simple annual tonnage tax regime and reducing cost of doing business - making the tonnage tax regime more competitive by removing the complicated regulatory compliance and additional requirements to the existing shipping companies registered in India and attracting new registrations especially for larger ships. It may also address the current over-concentration of vessels in the NT ≤ 1,000 slab (around 60 per cent) and facilitate the entities of Indian origin, but registered elsewhere, to relocate to India and own and register their vessels under the Indian flag.

Further, it is demonstrated that the net registered tonnage will grow as the regime gains traction in the sector, adding an estimated 11.6 – 39.4 million DWT to the national fleet over ten years. The increased tonnage is crucial for achieving *atma nirbharta* in the shipment of EXIM cargo, particularly crude, LNG, coking coal, fertilisers, and ores in the short term, and hydrogen and ammonia in the mid-term.

The proposed reforms in tonnage tax regime will not only help in enhancing registered tonnage but will also attract capital from global investors into Indian shipping, as a simplified regime will facilitate visibility for investors, improve India's stewardship for promotion of green shipping and most importantly provide strategic autonomy in the carriage of merchandise vitally required to support India's pathway to becoming the 3rd largest economy by 2047, achieve the MAKV47 target of climbing to the 5th largest registry in the *Amrit Kaal*, as well as meaningfully contribute to greener, cleaner, and *atma nirbhar* global shipping.

Appendix A

Indian Origin Companies Headquartered Outside India

The following companies are amongst some that are headed by Indian origin entities but are headquartered in other countries (it is not an exhaustive list), and the shipping fleet is registered in other countries (Table A1):

Table A1 Foreign Headquartered Companies owned by Indian origin entities

Name of the Company	Headquarter	Ownership	Fleet Size	Flag	Business Portfolio
Providence Ship Management Pte Ltd	Singapore	Transworld Group	14	Panama and Singapore	Ship management services
Propel Shipping Pte Ltd	Singapore	ACT Group (Propel Shipping is the Chartering/ Operating arm)	40-50	Singapore, Panama, Marshall Islands	Dry bulk shipping operators - steel, cement, power, fertilizer, and mineral
Tata NYK Shipping Pte Ltd	Singapore	Tata (India) + NYK (Japan)	N/A	Panama and Singapore	Long-term voyage and time charters
Transworld Group	UAE (Dubai)	Mr. R. Sivaswamy (Chairman)	>30	Panama, India, UAE	Global shipping and logistics business
Chellaram	Hong Kong	Mr Lal Chellaram (Group Chairman)	24	Hong Kong, Caribbean, Panama	Manages Dry Bulk Carriers
Caravel Group	Hong Kong	Harindarpal (Harry) Banga (Chairman & CEO)	650 +	Hong Kong	Fully integrated maritime companies -vessel owners with own cargo base of commodities

Source: Author's compilation.

Appendix B

Case Study- Great Eastern Shipping Company

To illustrate the real-world impact of different tonnage tax regimes on an Indian company, Great Eastern Shipping Company has been taken up. Its tax liability under India has been compared with the tax systems of the selected countries. Currently, the company operates a fleet of 38 vessels holding 3.05 million DWT, including 12 dry bulk carriers and 26 tankers,[55] with a minimum vessel size of 26,427 DWT and a maximum of 1,80,694 DWT. The company has opted for the tonnage tax scheme under Chapter XII-G of the Income Tax Act 1961 (Model A).

Analysis

To assess the competitiveness of the tonnage tax regime and for comparison purposes, the annual tonnage income for each vessel has been estimated based on its NT, per the provisions of Section 115VG. The assumptions remain as per the previous analysis, namely that NT is 60 per cent of the GT of a ship, and the number of operational days assumed is 365. To maintain consistency in comparison, the same set of countries has been considered under both models. The figure in parentheses indicates the prevailing corporate tax rate levied on the tonnage income in the respective countries in Table B1.

Data Source: Data related to the number of ships registered and their respective gross tonnage operated by the company has been collected from the company's website[56].

Results

Table B1 Great Eastern Shipping Company - Tonnage Tax Comparison for Selected Countries

S. No.	Name of the Ship	Net Tonnage	Singapore	Hong Kong	Liberia	RMI	Cyprus	Norway	Malta	Singapore *(17%)*	Germany *(15.83%)*	Denmark *(22%)*	UK *(20%)*	India *(25.168%)*
1	JAG VIKRAM	13800	182,160	463,000	495,454	199,410	388,153	632,472	407,088	304,690	507,676	851,405	494,524	649,105
2	JAG PANKHI	16600	219,120	553,000	501,427	239,870	443,815	730,584	442,728	339,091	581,329	963,937	566,268	757,136
3	JAG PRIYA	17100	225,720	568,000	506,244	247,095	453,755	748,104	448,668	345,234	594,481	984,032	579,080	776,428
4	JAG POOJA	17300	228,360	574,000	508,170	249,985	457,730	755,112	451,044	347,691	599,742	992,070	584,204	784,144
5	JAG PAVITRA	17800	234,960	589,000	512,986	257,210	467,670	772,632	456,984	353,834	612,894	1,012,165	597,016	803,436
6	JAG PRACHI	17900	236,280	592,000	513,949	258,655	469,658	776,136	458,172	355,063	615,525	1,016,184	599,578	807,294
7	JAG PRIYANKA	17800	234,960	589,000	512,986	257,210	467,670	772,632	456,984	353,834	612,894	1,012,165	597,016	803,436
8	JAG PRAKASH	17900	236,280	592,000	513,949	258,655	469,658	776,136	458,172	355,063	615,525	1,016,184	599,578	807,294
9	JAG PUSHPA	17900	236,280	592,000	513,949	258,655	469,658	776,136	458,172	355,063	615,525	1,016,184	599,578	807,294
10	JAG PRERANA	17900	236,280	592,000	513,949	258,655	469,658	776,136	458,172	355,063	615,525	1,016,184	599,578	807,294
11	JAG PUNIT	18000	237,600	595,000	514,913	260,100	471,646	779,640	459,360	356,291	618,155	1,020,203	602,141	811,152
12	JAG PARTH	18100	238,920	598,000	515,876	261,545	473,634	783,144	460,548	357,520	620,786	1,024,222	604,703	815,010
13	JAG RAJIV	19100	252,120	628,000	525,508	275,995	493,513	818,184	472,428	369,806	647,090	1,064,413	630,326	853,593
14	JAG RADHA	19400	256,080	637,000	528,398	280,330	499,477	828,696	475,992	373,491	654,981	1,076,470	638,013	865,168
15	JAG ABHA M.T.	25400	335,280	775,000	586,192	323,850	615,861	1,031,928	531,234	447,207	807,547	1,312,099	786,626	1,091,886
16	JAG AANCHAL M.T.	25400	335,280	775,000	586,192	323,850	615,861	1,031,928	531,234	447,207	807,547	1,312,099	786,626	1,091,886
17	M. T. JAG AMISHA	25400	335,280	775,000	586,192	323,850	615,861	1,031,928	531,234	447,207	807,547	1,312,099	786,626	1,091,886
18	JAG APARNA	25400	335,280	775,000	586,192	323,850	615,861	1,031,928	531,234	447,207	807,547	1,312,099	786,626	1,091,886
19	JAG ARNAV	25800	340,560	775,000	590,045	328,950	620,922	1,038,936	534,798	452,121	812,808	1,322,663	791,751	1,102,542

20	JAG AMAIRA	26100	344,520	775,000	592,935	332,775	624,718	1,044,192	537,471	455,807	816,754	1,330,586	795,594	1,110,534
21	JAG AARATI	26200	345,840	775,000	593,898	334,050	625,983	1,045,944	538,362	457,035	818,069	1,333,227	796,875	1,113,198
22	M.V. JAG ADITI	26300	347,160	775,000	594,861	335,325	627,248	1,047,696	539,253	458,264	819,384	1,335,868	798,156	1,115,862
23	JAG AKSHAY	26500	349,800	775,000	596,788	337,875	629,779	1,051,200	541,035	460,721	822,015	1,341,151	800,719	1,121,190
24	JAG AALOK	26500	349,800	775,000	596,788	337,875	629,779	1,051,200	541,035	460,721	822,015	1,341,151	800,719	1,121,190
25	JAG AJAY	26500	349,800	775,000	596,788	337,875	629,779	1,051,200	541,035	460,721	822,015	1,341,151	800,719	1,121,190
26	JAG AMAR	26500	349,800	775,000	596,788	337,875	629,779	1,051,200	541,035	460,721	822,015	1,341,151	800,719	1,121,190
27	JAG VISHNNU	26800	353,760	775,000	599,678	341,700	633,574	1,056,456	543,708	464,407	825,960	1,349,074	804,562	1,129,182
28	JAG VIRAT	29300	386,760	775,000	623,758	373,575	665,205	1,100,256	565,983	495,122	858,841	1,415,100	836,591	1,195,783
29	JAG VASANT	29300	386,760	775,000	623,758	373,575	665,205	1,100,256	565,983	495,122	858,841	1,415,100	836,591	1,195,783
30	JAG LOKESH	34300	452,760	775,000	671,920	437,325	728,466	1,187,856	602,019	556,551	924,602	1,547,154	900,648	1,328,985
31	JAG LEELA	34300	452,760	775,000	671,920	437,325	728,466	1,187,856	602,019	556,551	924,602	1,547,154	900,648	1,328,985
32	JAG LAXMI	34300	452,760	775,000	671,920	437,325	728,466	1,187,856	602,019	556,551	924,602	1,547,154	900,648	1,328,985
33	JAG LARA	35400	467,280	775,000	682,516	451,350	742,383	1,207,128	609,642	570,066	939,070	1,576,205	914,741	1,358,289
34	JAG LOK	48800	644,160	775,000	811,590	622,200	864,181	1,441,896	702,504	734,697	1,115,310	1,930,108	1,086,415	1,715,270
35	JAG LEENA	48900	645,480	775,000	812,553	623,475	864,904	1,443,648	703,197	735,925	1,116,625	1,932,750	1,087,696	1,717,934
36	JAG LAKSHYA	48900	645,480	775,000	812,553	623,475	864,904	1,443,648	703,197	735,925	1,116,625	1,932,750	1,087,696	1,717,934
37	JAG ALAIA	55300	660,000	775,000	874,200	587,563	911,156	1,555,776	737,055	814,555	1,200,799	2,101,778	1,169,690	1,888,432
38	JAG ANAND	55900	660,000	775,000	879,979	593,938	915,493	1,566,288	740,025	821,927	1,208,691	2,117,624	1,177,377	1,904,416
	Total													**6,94,72,555**

Source: Author's calculation.

Reconciliation from the audited financials of Great Eastern Shipping as on 31st March 2025			
S. No.	**Particulars**	**Amount INR**	**Reference**
1	Current Tax as per audited financials	80,00,00,000	Pt 6 PL acct
2	Less: Tonnage tax as per working above	-6,94,72,555	From Total
3	Balance tax paid by Great Eastern Shipping	73,05,27,445	
4	Tax paid on other incomes		
a	- Interest Income	59,44,39,890	As per Cash Flow Statement
b	- Incomes on which tax is to be paid at lower rate	12,58,00,000	Page no 280 of annual report
c	- Tax on Miscellaneous Incomes	1,02,87,555	
	Balance	**0**	

Source: Author's calculation.

Observations

- The tonnage tax under India's regime is among the highest in the world, second only to Denmark in this sample and about three times more than that in RMI.
- To illustrate as can be seen from above that for MV Jag Anand (S. No. 38), with a NT of 55,900, pays ~ INR 19 lakh in India against a liability of only ~ INR 5.9 lakh in RMI.

Appendix C

Summary of Proposed Reforms

The existing Income Tax Act 1961 has been reformed into the Income Tax Act 2025[57]. The corresponding clauses as in Chapter XIII-G of new tax law refer to the provisions against the existing references in the I-T Act 1961 for the same 'Special provisions relating to income of shipping companies' in Table C1. The Depreciation in Sub-section 115VN needs to be computed in accordance with Section 32 of Income tax Act, 1961 to calculate the WDV as on date of transfer of the asset. The difference between sale consideration and the WDV shall be Short term Capital gain chargeable to tax at normal rates applicable to the person transferring the ship, i.e., for a company/ LLP/Partnership – 30 per cent; for an AOP with foreign member- 40 per cent or as the case may be.

Table C1 Proposed Amendments in Chapter XII-G

Section in IT Act (1961)	Corresponding Section in I-T Act 2025	Existing Provision	Decision	Justification
115V	**235**	Definitions	Remove Revise Retain	1. The proposed recommendations do not include "tonnage income", the definition may be removed. 2. Definitions for "tonnage tax activities," "Tonnage Tax Company," and " tonnage tax scheme" may be revised to incorporate the proposed recommendations. 3. Qualifying company may be changed to a qualifying entity 4. Rest of the definitions may be retained .

115VA	**225**	Computation of profits and gains from the business of operating qualifying ships	Remove	5. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business 6. The simplified tonnage tax is an annual tax amount payable by the company and need not be recorded in a separate account
115VB	**226 (1)**	Operating Ships	Retain	7. The definition may be retained.
115VC	**235 (h)**	Qualifying Company	Revise	8. The definition only includes a company which is restrictive in nature. The option for opting tonnage taxation may be provided to every person irrespective of their form of incorporation to include LLPs, Consortiums, Partnership firms etc. 9. The definition may be revised.
115VD	**235 (1)**	Qualifying Ship	Revise	10. The vessel (seagoing or inland) may be of 100 tonnages or above.
115VE	**226 (2)-(6)**	Manner of Computation of income under the tonnage tax scheme	Remove	11. No tonnage income may be computed under the proposed scheme; the existing provisions may be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business
115VF	**226 (7)**	Tonnage Income	Remove	12. No tonnage income may be computed under the proposed scheme, the existing provisions may be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business

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<table>
<tr>
<td>115VG</td>
<td>227 (1)-(6)</td>
<td>Computation of Tonnage Income</td>
<td>Remove Revise</td>
<td>13. No tonnage income may be computed under the proposed scheme, the existing provisions may be removed to facilitate Ease of Doing
Business and reduce the Cost of Doing Business

14. Computation methodology may be revised as recommended towards a simplified annual tonnage tax scheme as proposed below:
<table>
<tr><th>Slabs (Net Tonnage)</th><th>Regular Tax Amount (INR/NT)</th><th>Green Tax Amount (INR/NT)</th></tr>
<tr><td>Up to 1,000 tons</td><td>35*</td><td>23.5*</td></tr>
<tr><td>Next 1,001 to 10,000 tons</td><td>30</td><td>20.1</td></tr>
<tr><td>Next 10,001 to 25,000 tons</td><td>24</td><td>16.1</td></tr>
<tr><td>Next 25,001 to 40,000 tons</td><td>17</td><td>11.4</td></tr>
<tr><td>Next > 40,000 onwards</td><td>9</td><td>6.0</td></tr>
<tr><td colspan="3">* Vessels of less than100 NT are exempt</td></tr>
</table>
</td>
</tr>
<tr>
<td>115VH</td>
<td>227 (7)-(8)</td>
<td>Calculation in the case of joint operation</td>
<td>Revise</td>
<td>15. The company is required to pay the tonnage tax proportionate to the net registered tonnage</td>
</tr>
<tr>
<td>115V-I</td>
<td>228 (1)-(13)</td>
<td>Relevant shipping income</td>
<td>Remove</td>
<td>16. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business</td>
</tr>
<tr>
<td>115VJ</td>
<td>228 (14)-(15)</td>
<td>Treatment of common costs</td>
<td>Remove</td>
<td>17. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business</td>
</tr>
</table>

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115VK	**229 (1)-(7)**	Depreciation	Remove	18. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business
115VL	**230 (1)**	General Exclusion of deduction and set off etc.	Remove	19. This section is consequential to the computation of tonnage income 20. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business
115VM	**230 (2)-(4)**	Exclusion of Loss	Remove	21. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business 22. Day-to-day operations of the shipping company are irrelevant to the proposed computation of tonnage tax as the same is only based on Net Tonnage.
115VN	**229 (8)-(10)**	Chargeable gains from the transfer of tonnage tax assets	Revise	23. Capital gains on Transfer of tonnage tax asset may be dealt with in Section 45 of the Act. 24. Further, the depreciation for computing the WDV as on date of transfer may be same as other assets and computed as per Section 32 of the IT Act, 1961.
115V-O	**228 (16)**	Exclusion from the provisions of section 115JB	Revise	25. May include exclusion from Section 115JC (alternate minimum tax on persons other than companies)

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1 15VP	**231 (1)-(7)**	Method and time of opting for tonnage tax scheme	Revise	26. The provision may be revised as the annual tonnage tax is recommended to be levied alongside the registration fee that could be paid annually or lump sum as proposed in the recommendations.
115VQ	**231 (8)-(9)**	Period for which tonnage tax option to remain in force	Revise	27. The annual tonnage tax is recommended to be paid over the expected operational life of the vessel as determined by the DG Shipping.
115VR	**231 (10)-(11)**	Renewal of tonnage tax scheme	Revise	28. The company may pay the annual tonnage tax along with the registration fee.
115S	**231 (12)**	Prohibition to opt for tonnage tax scheme in certain cases	Retain	29. Existing provision may be retained.
115VT	**232 (1)-(11)**	Transfer of profits to Tonnage Tax Reserve Account	Remove	30. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business.
115VU	**232 (12)-(14)**	Minimum training requirement for tonnage tax company	Remove	31. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business
115VV	**232 (15)-(20)**	Limit for charter in of tonnage	Remove	32. No limitations may be imposed on the shipping companies with respect to charter in of tonnage. 33. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business

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115VW	**232 (21)**	Maintenance and audit of accounts	Revise	34. The company is expected to record the annual tonnage tax paid in line with the applicable provisions for annual levies in its account.
115VX	**227 (9)**	Determination of tonnage	Retain	35. This provision is retained.
115VY	**233 (1)-(4)**	Amalgamation	Remove Revise	36. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business 37. The existing provisions may be revised as the company would pay the tonnage tax according to the proposed tonnage slab rates.
115VZ	**233 (5)-(6)**	Merger	Remove Revise	38. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business 39. The existing provisions may be revised as the company would pay the tonnage tax according to the proposed tonnage slab rates.
115VZA	**232 (22)-(23)**	Effect of temporarily ceasing to operate qualifying ship	Remove	40. Tonnage income and related components are proposed to be removed to facilitate Ease of Doing Business and reduce the Cost of Doing Business
115VZB	**234 (1)-(3)**	Avoidance of Tax	Revise	41. The company may pay the annual tonnage tax along with the registration fee.
115VZC	**234 (4)-(7)**	Exclusion from tonnage tax scheme	Retain	42. The exclusion from tonnage taxation and opting for normal provisions under Sections 28 to 43C may be allowed once in the lifetime of the ship at the time of registration.

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Source: Author's compilation.

Appendix D

List of Vessels with NT> 25,000[58]

Table 6, presents the number of vessels for slab NT > 25,000 tons as 113. To understand the impact of the proposed tonnage tax rates on the registered DWT of India, vessels in this category only have been considered. The average DWT for these vessels has been estimated at 103,000 DWT.

Table D1 List of Vessels with NT > 25,000 tons

S. No.	Name of the Company	Name of the Ship	Year of Built	Type of Vessel	GT	DWT	NT
1	PFS SHIPPING INDIA LTD.	PFS VAMANA	1986	DRB	41671	84700	25002.6
2	SANMAR SHIPPING LTD.	SANMAR SLOKA	2005	TANP	42058	71810	25234.8
3	GREAT EASTERN SHIPPING CO. LTD.	JAG ABHA M.T.	2008	TANP	42403	74808	25441.8
4	GREAT EASTERN SHIPPING CO. LTD.	JAG AANCHAL M.T.	2008	TANP	42403	74811	25441.8
5	GREAT EASTERN SHIPPING CO. LTD.	M. T. JAG AMISHA	2009	TANP	42403	74889	25441.8
6	GREAT EASTERN SHIPPING CO. LTD.	JAG APARNA	2009	TANP	42403	74859	25441.8
7	SHIPPING CORPN. OF INDIA	SWARNA SINDHU	2010	TANC	42845	73368	25707
8	SHIPPING CORPN. OF INDIA	SWARNA GANGA	2010	TANC	42845	73368	25707
9	SHIPPING CORPN. OF INDIA	SWARNA BRAHMAPUTRA	2010	TANC	42845	73368	25707
10	SHIPPING CORPN. OF INDIA	SWARNA GODAVARI	2010	TANC	42845	73368	25707
11	SHIPPING CORPN. OF INDIA	SWARNA KRISHNA	2010	TANC	42845	73368	25707
12	SHIPPING CORPN. OF INDIA	SWARNA KAVERI	1975	TANC	42845	73665	25707

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13	GREAT EASTERN SHIPPING CO. LTD.	JAG ARNAV	2015	BC	43007	81732	25804.2
14	SANMAR SHIPPING LTD.	SANMAR SRUTHI	1999	TANC	43357	73980	26014.2
15	GREAT EASTERN SHIPPING CO. LTD.	JAG AMAIRA	2014	DRB	43430	81005	26058
16	VARUN SHIPPING LTD	MAHARSHI BHARADWAJ	1992	LCAR	43635	59421	26181
17	SHIPPING CORPN. OF INDIA	SCI CHENNAI M.V.	2008	DRY	43679	57813	26207.4
18	SHIPPING CORPN. OF INDIA	SCI MUMBAI M.V.	2008	DRY	43679	57785	26207.4
19	GREAT EASTERN SHIPPING CO. LTD.	JAG AARATI	2011	DRB	43790	0	26274
20	GREAT EASTERN SHIPPING CO. LTD.	M.V. JAG ADITI	2011	DRB	43790	0	26274
21	GREAT EASTERN SHIPPING CO. LTD.	M.V. JAG ARYA	2011	DRB	43843	0	26305.8
22	SHIPPING CORPN. OF INDIA	VISVA ANAND	2012	DRB	44007	80204	26404.2
23	SHIPPING CORPN. OF INDIA	VISVA VINAY	2012	DRB	44007	80139	26404.2
24	SHIPPING CORPN. OF INDIA	VISVA PREETI	2012	DRB	44007	80250	26404.2
25	SHIPPING CORPN. OF INDIA	VISVA VIJAY	2012	DRB	44010	80312	26406
26	GREAT EASTERN SHIPPING CO. LTD.	JAG AKSHAY	2016	BC	44113	82044	26467.8
27	GREAT EASTERN SHIPPING CO. LTD.	JAG AALOK	2016	BC	44113	82022	26467.8
28	GREAT EASTERN SHIPPING CO. LTD.	JAG AJAY	2016	BC	44127	82094	26476.2
29	GREAT EASTERN SHIPPING CO. LTD.	JAG AMAR	2017	BC	44127	82084	26476.2

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30	TOLANI SHIPPING CO. LTD.	PRABHU SUMAT	2012	DRB	44232	0	26539.2
31	APEESJAY SHIPPING LTD.	APJ KABIR ANAND	2006	BC	44262	76660	26557.2
32	APEESJAY SHIPPING LTD.	APJ ANGAD 2	2004	BC	44262	76662	26557.2
33	APEESJAY SHIPPING LTD.	APJ ANDHARI	2003	BC	44262	76660	26557.2
34	APEESJAY SHIPPING LTD.	APJ JOUAD	2002	BC	44262	76660	26557.2
35	APEESJAY SHIPPING LTD.	APJ UDGAM	2001	BC	44262	82372	26557.2
36	AMNS SHIPPING & LOGISTICS P. LTD.	AMNS STALLION	2012	BC	44265	81666	26559
37	AMNS SHIPPING & LOGISTICS P. LTD.	AMNS MAXIMUS	2012	BC	44265	81666	26559
38	GREAT EASTERN SHIPPING CO. LTD.	JAG VISHNNU	2002	TANC	44673	49996	26803.8
39	SHIPPING CORPN. OF INDIA	VISHVA UDAY	2013	BC	44861	81696	26916.6
40	SHIPPING CORPN. OF INDIA	VISVA JYOTI	2012	DRB	44864	82091	26918.4
41	SHIPPING CORPN. OF INDIA	VISHVA CHETNA	2013	DRB	44864	81734	26918.4
42	SAKURA ENERGY TRANSPORT LTD.	REIMEI	2007	LCAR	45811	53100	27486.6
43	SAKURA ENERGY TRANSPORT LTD.	HISUI	2010	LPGT	45815	53012	27489
44	B.G. SHIRKE CONSTRUCTION TECHNOLOGY P.LTD.	MAIA TAYA	2013	BC	45959	84108	27575.4
45	B.G. SHIRKE CONSTRUCTION TECHNOLOGY P.LTD.	MAIA TANAYA	2013	BC	45967	83897	27580.2

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46	AMNS SHIPPING & LOGISTICS P. LTD.	AMNS TUFMAX	2009	BC	46256	74488	27753.6
47	SARAT CHATTERJEE & CO. (V)P. LTD	JAL VAIBHAV	2006	BC	46398	85926	27838.8
48	SHIPPING CORPN. OF INDIA	NANDA DEVI	2001	G.C	46506	53503	27903.6
49	SAKURA ENERGY TRANSPORT LTD.	GREEN SARITA	2008	G.C	47173	58690	28303.8
50	SEVEN ISLAND SHIPPING LTD	PINE GAS	2006	G.C	47173	58585	28303.8
51	BW GLOBAL UNITED LPG INDIA P. LTD.	BW BIRCH	2007	LPGT	47368	58123	28420.8
52	BW GLOBAL UNITED LPG INDIA P. LTD.	BW ELM	2007	G.C	47386	58136	28431.6
53	BW GLOBAL UNITED LPG INDIA P. LTD.	BW CEDAR	2006	G.C	47386	58136	28431.6
54	BW GLOBAL UNITED LPG INDIA P. LTD.	BW OAK	2006	LCAR	47386	58136	28431.6
55	BW GLOBAL UNITED LPG INDIA P. LTD.	BW PINE	2011	LCAR	47412	58625	28447.2
56	BW GLOBAL UNITED LPG INDIA P. LTD.	BW FIR	2008	LCAR	47412	58625	28447.2
57	BW GLOBAL UNITED LPG INDIA P. LTD.	BW LORD	2008	G.C	48052	54691	28831.2
58	BW GLOBAL UNITED LPG INDIA P. LTD.	BW LOYALTY	2006	LCAR	48052	55057	28831.2
59	GREAT EASTERN SHIPPING CO. LTD.	JAG VIRAT	2007	G.C	48772	54450	29263.2

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60	GREAT EASTERN SHIPPING CO. LTD.	JAG VASANT	2006	G.C	48772	54490	29263.2
61	MERCATOR LINES LTD.	SISOLI	1980	TANP	51095	89922	30657
62	SHIPPING CORPN. OF INDIA	MAHARSHI PARASHURAM	2002	TANC	51785	93322	31071
63	MERCATOR LINES LTD.	DEVSI	1985	TANP	52629	94706	31577.4
64	MERCATOR LINES LTD.	SADANAND	1986	TANP	52862	94752	31717.2
65	ARYA SHIP CHARTERERS PVT. LTD.	DISTYA AMEYA	1995	TANC	52875	94512	31725
66	MERCATOR LINES LTD.	OMBATI PREM	1994	TANC	53383	90607	32029.8
67	CHAMBAL FERTILIZERS & CHEMICAL	RATNA URVI	1989	TANC	54980	96167	32988
68	VARUN SHIPPING LTD	AMBA BHAKTI	1997	TANC	56127	106597	33676.2
69	MERCATOR LINES LTD.	PREMVATI	1986	TANP	56613	100366	33967.8
70	SANMAR SHIPPING LTD.	SANMAR SONET	1997	TANP	56854	99999	34112.4
71	GREAT EASTERN SHIPPING CO. LTD.	JAG LOKESH	2009	TANC	57142	105599	34285.2
72	CHAMBAL FERTILIZERS & CHEMICAL	RATNA SHRUTI	2008	TANC	57144	105746	34286.4
73	GREAT EASTERN SHIPPING CO. LTD.	JAG LEELA	2011	TANC	57249	105525	34349.4
74	SHIPPING CORPN. OF INDIA	SWARNA JYANTI	2010	TANC	57702	104900	34621.2
75	SHIPPING CORPN. OF INDIA	SWARNA KAMAL	2010	TANC	57702	104903	34621.2

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76	MERCATOR LINES LTD.	PREM DIVYA	1998	TANC	57950	109227	34770
77	VARUN SHIPPING LTD	AMBA BHAVANI	2005	TANC	58136	107081	34881.6
78	GREAT EASTERN SHIPPING CO. LTD.	JAG LAXMI	1999	TANP	58374	105051	35024.4
79	GREAT EASTERN SHIPPING CO. LTD.	JAG LARA	2012	TANC	59024	105258	35414.4
80	GREAT EASTERN SHIPPING CO. LTD.	JAG LYALL	2006	TANC	61315	110531	36789
81	MERCATOR LINES LTD.	PREM PRIDE	1999	TANP	61764	109610	37058.4
82	SHIPPING CORPN. OF INDIA	DESH BHAKT	2003	TANC	61978	110000	37186.8
83	SHIPPING CORPN. OF INDIA	DESH PREM	2003	TANC	61978	110000	37186.8
84	SHIPPING CORPN. OF INDIA	DESH RAKSHAK	2003	TANC	61978	110000	37186.8
85	SHIPPING CORPN. OF INDIA	DESH GAURAV	2003	TANC	61978	110000	37186.8
86	SHIPPING CORPN. OF INDIA	M.T. DESH GARIMA	2011	TANP	64397	114790	38638.2
87	SHIPPING CORPN. OF INDIA	M.T. DESH SURKSHA	2011	TANP	64397	114790	38638.2
88	SHIPPING CORPN. OF INDIA	DESH SAMMAN	2011	TANP	64397	0	38638.2
89	SHIPPING CORPN. OF INDIA	DESH MAHIMA	2010	TANC	64397	115611	38638.2
90	LMCS MARITIME PVT. LTD.	CHAFA	2001	TANC	78845	150709	47307
91	PRATIBHA SHIPPING LTD.	PRATIBHA BHEEMA	1991	TANC	79718	154971	47830.8
92	SEVEN ISLAND SHIPPING LTD	CENTURY	2005	TANC	81076	159152	48645.6
93	SEVEN ISLAND SHIPPING LTD	CONCORD	2005	TANC	81076	159155	48645.6

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94	SHIPPING CORPN. OF INDIA	DESH ABHIMAAN	2007	TANC	81084	159040	48650.4
95	SHIPPING CORPN. OF INDIA	DESH SHOBHA	2012	TANP	81334	157985	48800.4
96	GREAT EASTERN SHIPPING CO. LTD.	JAG LOK	2005	TANP	81396	158145	48837.6
97	GREAT EASTERN SHIPPING CO. LTD.	JAG LEENA	2010	TANC	81427	157672	48856.2
98	GREAT EASTERN SHIPPING CO. LTD.	JAG LAKSHYA	2011	TANC	81427	157642	48856.2
99	SEVEN ISLAND SHIPPING LTD	SAFFRON	1998	TANC	81565	149999	48939
100	SHIPPING CORPN. OF INDIA	DESH SHAKTI	2003	TANC	84261	146840	50556.6
101	SHIPPING CORPN. OF INDIA	DESH SHANTI	2004	TANC	84261	146114	50556.6
102	FIVE STAR BULK CARRIERS PVT LTD	M.V. MAHA ANOSHA	2009	DRB	88397	0	53038.2
103	ESSAR SHIPPING LTD.	KIRAN	1994	DRY	91651	165289	54990.6
104	GREAT EASTERN SHIPPING CO. LTD.	JAG ALAIA	2014	BC	92155	180694	55293
105	GREAT EASTERN SHIPPING CO. LTD.	JAG ANAND	2011	BC	93227	179250	55936.2
106	RELIANCE INDUSTRIES LTD.	KG D6 RUBY	2022	OSS	117860	157259	70716
107	SAKURA ENERGY TRANSPORT LTD.	KASHIMASAN	2007	TANC	159840	306033	95904
108	SAKURA ENERGY TRANSPORT LTD.	KASAGISAN	2006	TANC	160216	302478	96129.6
109	SHIPPING CORPN. OF INDIA	DESH VAIBHAV	2005	TANP	161202	316409	96721.2
110	SHIPPING CORPN. OF INDIA	DESH UJAALA	2005	TANC	161202	316217	96721.2
111	SHIPPING CORPN. OF INDIA	DESH VISHAL	2009	TANC	162412	320071	97447.2

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112	SHIPPING CORPN. OF INDIA	DESH VIRAT M.T.	2008	TANP	162416	319000	97449.6
113	SHIPPING CORPN. OF INDIA	DESH VIBHOR	2015	TANC	165319	316634	99191.4
				Total	6965094	11635238	4179056
				Average	61638	102966.7	36982.8

Source: Indian Shipping Statistics 2024.

Endnotes

[1] Maritime Amrit Kaal Vision 2047, Chapter 13 "*Enhance India's Tonnage*", pp 348; Source: https://shipmin.gov.in/sites/default/files/Maritime%20Amrit%20Kaal%20Vision%202047%20%28MAKV%202047%29_compressed_0.pdf

[2] UNCTADstat Data centre, International Trade Data, Merchandise Total Trade and Share; Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeMerchTotal

[3] "*India's Growing Maritime Role*"; Stephen Gordon Clarksons,; Source: https://www.clarksons.com/home/news-and-insights/2025/india-s-growing-maritime-role/

[4] UNCTADstat Data centre, International Trade Data, Merchandise Total Trade and Share; Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.TradeMerchTotal

[5] "*India's Growing Maritime Role*"; Stephen Gordon, Clarksons,; Source: https://www.clarksons.com/home/news-and-insights/2025/india-s-growing-maritime-role/

[6] UNCTADstat Data centre, Maritime Transport, Merchant Fleet, " Merchant fleet by flag of registration and by type of ship, annual"; Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.MerchantFleet

[7] The vessel capacity is measured by:-

1. *Deadweight Tonnage (DWT*) which represents the total weight a ship can safely carry, including cargo, fuel, water, crew, and other supplies:-
2. *Gross Tonnage (GT)* measures ship's overall internal volume, used for regulatory and port fee purposes. It applies to the vessel and not cargo;
3. *Net Tonnage (NT)* measures the usable cargo-carrying capacity of a ship, derived from gross tonnage after deducting spaces not used for cargo or passengers. It represents the available space for accommodation of passengers and stowage of cargo.

[8] Maritime Amrit Kaal Vision 2047, Chapter 13 "Enhance India's Tonnage", pp 348; Source: https://shipmin.gov.in/sites/default/files/Maritime%20Amrit%20Kaal%20Vision%202047%20%28MAKV%202047%29_compressed_0.pdf

[9] *Ibid.*

[10] *Ibid.* (pp 358)

[11] "*Tonnage Tax revisited: The case of Greece during a shipping crisis and an economic crisis period*", Bank of Greece Eurosystem, Working Paper, 2019; Source: https://www.bankofgreece.gr/publications/paper2019266.pdf

[12] "*The Netherlands Maritime Tax Regime"*; Source: https://www.rotterdammaritimeservices.com/wp-content/uploads/2023/01/RMSC-Expert-Overview-Dutch-Tonnage-Tax-Regime-Gulsev-Yildizturan-1.pdf

[13] "*The economic impact of the Tonnage Tax regime on the shipping industry*", Centre for Economics and Business Research, Report of Maritime UK, September 2017, pp 3; Source: https://www.maritimeuk.org/documents/191/Tonnage_Tax.pdf

[14] "*Corporate taxation of the shipping industry around the globe*", Source: https://www.pwc.es/es/publicaciones/transporte/pwc-choosing-your-course.pdf

[15] Article 91 of UNCLOS requires that for ship registration, "there must be a genuine link between the state and the ship". The 'genuine link' principle requires that there must exist a real and substantial connection between the ship and the state, and the regulatory bodies ascertain aspects such as ownership, management, crew nationality, and operational base to determine whether such a 'genuine link' exists.

[16] Gross Tonnage (GT) forms the basis for manning regulations, safety rules and registration fees.Net Tonnage (NT) refers to the usable or revenue-generating space within a ship, specifically the volume of spaces available for cargo and passengers. '*International Convention on tonnage measurement of ships, 1969'*. Source: https://treaties.un.org/doc/Publication/UNTS/Volume%201291/volume-1291-I-21264-English.pdf

[17] "*Choosing your course: Corporate taxation of the shipping industry around the globe*"; Source: https://www.pwc.es/es/publicaciones/transporte/pwc-choosing-your-course.pdf

[18] OECD Taxation Working Paper, "The design of presumptive tax regimes," 2023, pp 7-9; https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/02/the-design-of-presumptive-tax-regimes_15e01885/141239bb-en.pdf

[19] UNCTADstat Data center, Maritime Transport, Merchant Fleet, " Merchant fleet by flag of registration and by type of ship, annual"; Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.MerchantFleet

[20] The Table includes the Tonnage tax regime for the top 5 countries except Panama (Ranked 2) as the Tonnage tax regime for Panama is not available.

[21] Refer note 6

[22] Review of Maritime Sector, 2024, Chapter II, "World hipping Fleet and Services, Table II.3 pp 59; Source: https://unctad.org/system/files/official-document/rmt2024_en.pdf

[23] Refer note 6

[24] Section 33AC provides that "In the case of an assessee, being [a Government company or] [Inserted by Act 21 of 1998, Section 10 (w.e.f. 1.4.1999).] [a public company formed and registered in India with the main object of carrying on the business of operation of ships, there shall, in accordance with and subject to the provisions of this section, be allowed a deduction of an amount not exceeding fifty per cent of profits derived from the business of operation of ships (computed under the head "Profits and gains of business or profession" and before making any deduction under this section), as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account, to be utilised in the manner laid down in sub-section (2):] [Inserted by Act 36 of 1989, Section 5 (w.e.f. 1.4.1990)]"The reserve account is for 'acquiring a new ship' or 'for the purposes of the business of the assessee other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India'; Source:https://indiankanoon.org/doc/1189064/#:~:text=%5Ba%20public%20company%20formed%20and,not%20exceeding%20fifty%20per%20cent.

[25] "*Introduction of Tonnage Tax",* Finance Act (2004). Finance (No.2) Act, 2004,pp 13,; Source: https://www.indiabudget.gov.in/budget_archive/ub2004-05/mem/mem1.pdf

[26] According to Section 115BAA, companies with a turnover of less than INR 400 crore have an effective tax rate of 22 per cent, plus applicable surcharge and cess, resulting in an approximate effective rate of 25.168 per cent. 115BAA (Tax on income of certain domestic companies); *[Inserted by Act No. 46 of 2019, dated 11.12.2019]* **"**(1)Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, other than those mentioned under section 115BA and section 115BAB, the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall, at the option of such person, be computed at the rate of twenty-two per cent., if the conditions contained in sub-section (2) are satisfied:" These conditions disallow set off of any loss, depreciation etc.

[27] Government of India, Income Tax Act, 1961, Section XII-G "Special Provisions Relating to Income of Shipping Companies", pp 511 to 523;Source:https://www.indiacode.nic.in/bitstream/123456789/2435/1/a1961-43.pdf

[28] "*Indian Shipping Statistics 2024*", Ministry of Ports, Shipping, and Waterways, Table 1.11 "*List of Vessels Registered for Indian Trade (As on 31st December, 2024)",* pp 76 – 135; Source:https://shipmin.gov.in/sites/default/files/ISS%20Final%202024.pdf

[29] The Rounded-Off NT (r) in Table 7 has been derived as per the rules provided in Sub-section (5) under Section 115VG of Chapter XII-G.

[30] The ratio of NT to DWT is influenced by the design and function of the ship. For example, bulk carriers are designed primarily for carrying cargo (and typically have large cargo holds), their NT is a significant portion of their DWT, and is typically around 0.4 to 0.6. Where DWT is not available, NT is estimated from GT and is taken as 60 per cent of the GT.

[31] Total 1,545 vessels are registered in India. In line with the definition of qualifying ships, only vessels with an NT of 15 or above have been considered. After calculating NT as 60% of GT, only 1,519 vessels have a NT > 15 tons. See Note 28 above.

[32] Income Tax Amendment Bill No. 32/2024, Republic of Singapore, Twelfth Schedule, pp 68; Source:https://www.parliament.gov.sg/docs/default-source/bills-introduced/income-tax-(amendment)-bill-32-2024.pdf?sfvrsn=ec005708_1

[33] "*Determination of profits for merchant ships in international traffic"*; Income Tax Act (EStG)§ 5a Source: https://www.gesetze-im-internet.de/estg/__5a.html

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[46] Section 44AE of the Income Tax Act deals with the presumptive taxation scheme for transporters.The scheme was introduced to simplify taxation

of small transporters having less than 10 vehicles. As per the scheme, the income of the transporter is deemed to be Rs.7500/- per vehicle per month (for light vehicles) and Rs. 1000/- per tonne per month for heavy vehicles without any requirement to maintain books of accounts. This helps the small transporters to avoid tedious compliance of maintaining books of accounts and simplifies taxation.

[47] Section 44BB provides for presumptive taxation of non residents engaged in business of providing services for exploration or production of mineral oil. 10% of the total revenues of such non residents are deemed to be their incomes without any requirement of maintaining books of accounts.

[48] Section 44BBD provides for the presumptive taxation of non residents providing services in a) setting up manufacturing facility or b) Manufacturing or producing electronic goods, articles, or related items in India. 25% of total revenue received for such services shall be deemed as income of such non residents.

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Acknowledgements

The authors are grateful to Professor Sachin Kumar Sharma, Director General, RIS and Professor Sachin Chaturvedi (former Director General, RIS) for their valuable comments and guidance and giving a shape to the paper. The views expressed are personal. The Usual Disclaimer applies.

Thanks are also due to the publications team at RIS, comprising, Mr Sachin Singhal, and Mr Sanjeev Karna for arranging the production of this Discussion Paper.

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