

FORM NO. 66[\[See rule 11T\]](#)**Audit Report under clause (ii) of section 115VW of the Income-tax Act, 1961**

1. Name of the Company :
2. PAN :
3. Assessment year :
4. Option for tonnage tax effective from assessment year :
5. Remarks, if any :
6. (a) Whether separate books of account are maintained in respect of the business of operating qualifying ships Yes ☐ No ☐

(b) If yes, list of books of account maintained (in case books of account are maintained in a computer system, mention the books of account generated by such computer system).

(c) List of books of account examined.

7. Limit for charter-in :
Whether correctly computed keeping in view the limit of 49% under section 115VV.
8. Relevant shipping income :
(i) Profits from core activities referred to in sub-section (2) of section 115V-I, and
(ii) Whether profits from incidental activities exceed 0.25 per cent of the turnover from core activities.
9. Tonnage tax reserve account :
(i) Certify the book profit
(ii) Minimum reserve created
(iii) Reserve utilized in the manner laid down under sub-section (3) of section 115VT
10. Computation of tonnage income under section 115VG

<i>*Name of the qualifying ship</i>	<i>Net tonnage / deemed tonnage</i>	<i>Owned / chartered</i>	<i>Kind of charter**</i>	<i>Daily tonnage income</i>	<i>No. of days operated</i>	<i>Tonnage income (56)</i>
1	2	3	4	5	6	7

11. Details of transactions by the company with related parties
12. Depreciation :
I. Computation of depreciation in accordance with the

provisions of section 115VK of the Income-tax Act, 1961 in the case of qualifying assets and other assets, as the case may be, in the following form [to be given only in case of the first year in tonnage tax scheme]:

II. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each qualifying asset or block of qualifying assets, as the case may be, in the following form :—

- (a) Description of asset/block of assets.
- (b) Rate of depreciation.
- (c) Actual cost or written down value, as the case may be.
- (d) Additions/deductions during the year with dates, in the case of any addition of an asset, date on which put to use including adjustments on account of—
 - (i) Modified Value Added Tax credit claimed and allowed under the Central Excise Rules, 1944 or Central Excise Rules, 2002, as the case may be, in respect of assets acquired on or after 1st March, 1994,
 - (ii) change in rate of exchange of currency, and
 - (iii) subsidy or grant of reimbursement, by whatever name called.
- (e) Depreciation allowable.
- (f) Written down value at the end of the year.

13. Details of assets (other than ships), if any, not used exclusively for the tonnage tax business :

14. Details of losses relating to the business of operating qualifying ships, if any :

*There is no need to mention the name of the ship, income from which is computed on deemed tonnage basis.

**Certificate of charter-in/out on Time Charter, Voyage Charter, Bare Boat Charter and Bare Boat Charter cum demise basis.

Declaration

*I/We report that the statutory audit
of _____

_____ (mention name, address and permanent account number of the company) was conducted by *me/us/M/s _____

*I/We have obtained the information and explanations which to the best of *my/our knowledge and belief were necessary for the purposes of ascertaining the profits of the said assessee derived from the business of operating qualifying ships.

In *my/our opinion and to the best of *my/our information and according to the explanations given to *me/us the particulars given in the report are true and correct.

Date

Place

Signed
#Accountant

Notes :

1. *Delete whichever is not applicable.
2. #This report is to be given by :
 - (i) A chartered accountant within the meaning of Chartered Accountants Act, 1949 (38 of 1949); or
 - (ii) Any person who, in relation to any State, is by virtue of the provisions in sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956), entitled to be appointed to act as an auditor of companies registered in that State;
 - (iii) Where any of the matter stated in this report is answered in the negative or with a qualification, the report shall state the reasons therefor.
3. Formula for conversion of TEUs into NT (Slot Charter)
 - (i) In addition to loading containers on their own container vessels, shipping companies also hire slots on container ships (not owned by them) plying on various routes. These slots could be hired for a sector voyage or on long term basis, all round the year, in various vessels and in varying numbers and thus cannot be converted to net tonnage identifying the particular vessel on which the slot is hired. Thus, a formula has been worked out to convert the slots hired into net tonnage. (See the worksheet appearing after this note).
 - (ii) In the illustration, the parameters of a typical container vessel of Shipping Corporation of India (SCI) 'R. Gandhi' has been considered. This vessel operates on either of the three sectors operated by SCI, viz., Indflex Service (Far East to India), ISE Service (UK Continent to India) and Indamex Service (USA to India).
 - (iii) One voyage covers loading at India, discharge at various ports *en route* and at the final destination, as well as loading at these ports for discharge at India. This complete cycle is called one voyage and the vessel can load 1534 containers or TEUs (twenty foot equivalent unit) on outward leg, i.e., from India to final destination and 1534 containers on the inward leg, i.e., from final destination outside India to India. Thus a vessel can carry 1534 X 2, i.e., 3068 TEUs in one voyage. Therefore, the vessel can carry 3068 TEUs X No. of voyage she can perform in a year and this has been converted into NT for the formula.
 - (iv) The slots can also be used on a multi-utilisation basis. Thus, a typical vessel of 1534 TEU capacity can actually carry more than its declared capacity in TEUs. Similarly, a vessel may not load to its full capacity in any single voyage and may carry empty containers which do not earn any revenue. Hence for simplification, we can assume that the vessel loads to its declared capacity only in each sector voyage.

SUMMARY

1 NT : 19 cbm when loadable capacity is taken on volume basis.

1 NT : 14 t when loadable capacity is taken on weight basis.

1 NT : 2.5 TEUs when loadable capacity is taken on TEU basis.

Deemed tonnage would thus be calculated as under :

19 cbm is equivalent to 1 NT

14 metric tonnes is equivalent to 1 NT

2.5 TEUs is equivalent to 1 NT

Worksheet for TEU : NT formula

A. Indflex Service (Far East to India)		
Name of Vessel R. Gandhi	NT	9749
Capacity @ 14 MT Homogenous TEUs		1534
Operating days	360	

Round voyage days	35	
Theoretical volumes carried		
Container carriage		3068
Voyages completed		10.29
Yearly traffic		31557
Equivalent of one NT in TEUs		0.30894
B. ISE Service (UK Continent to India)		
Name of Vessel R. Gandhi	NT	9749
Capacity @ 14 MT Homogenous TEUs		1534
Operating days	360	
Round voyage days	49	
Theoretical volumes carried		
Container carriage		3068
Voyages completed		7.35
Yearly traffic		22540
Equivalent of one NT in TEUs		0.43251
C. Indamex Service (USA to India)		
Name of Vessel R. Gandhi	NT	9749
Capacity @ 14 MT Homogenous TEUs		1534
Operating days	360	
Round voyage days	56	
Theoretical volumes carried		
Container carriage		3068
Voyages completed		6.43
Yearly traffic		19723
Equivalent of one NT in TEUs		0.49429

Average of INT in TEUs = $A+B+C/3$ $1.23574/3 = 0.41192$

0.41 NT = 1 slot

1.025 NT

2.5 slot

Therefore, 1 NT = 2.5 TEU

4. Formula for conversion of Cargo carried (by volume and weight) into NT (Space Charter)

- The quantum of cargo that can be carried by a break-bulk vessel is restricted by two factors - (i) volume of the cargo or (ii) weight of the cargo.
- Since the entire vessel is not chartered and only a small space is booked in the vessel, conversion of chartered space into net tonnage (NT) is not available. Hence, a conversion formula of cargo carried on a ship to its net tonnage has been worked out.
- The formula has been worked out based on a break-bulk vessel, 'MV State of Nagaland' owned by the Shipping Corporation of India Limited. Physical parameters of the vessel are :
 - NT of the vessel : 8294
 - GT of the vessel : 14166
 - Cubic Capacity : 26186 Bale
 - Dead wt. : 20574 M/T
 - Bunkers + water : 900 M/T

(vi) Ballast + constant : 1000 M/T

(vii) Loadable Dead wt.

(iv) - (v) - (vi) : 18675 M/T

(d) A vessel can either load on—

◆ Maximum bale capacity (i.e., maximum capacity restricted by volume of cargo); or

◆ Maximum dead weight capacity (i.e., maximum capacity restricted by weight of cargo).

(e) The vessel 'State of Nagaland' is a typical breakbulk vessel which operates in the India - UK Continent sector and can complete 3 voyages in a year. The complete circuit of India - UK Continent - India is considered as one voyage (i.e., cargo would be carried from India and discharged in UK Continent and on the return leg, cargo would be loaded at UK-Continent and discharged at India).

(f) The vessel can thus carry one way cargo of maximum bale capacity of 26186 cubic metres (cbm), i.e., maximum volume permissible or cargo of maximum 18675 metric tons, i.e., maximum weight permissible. Thus conversion of cargo carried to net tons (NT) can be worked out depending on whether the carrying capacity is limited by volume or weight. The workings have been done on the basis of what a normal breakbulk vessel can carry during a period of one year.

A. Cargo restricted by volume - In each leg i.e., from India - UK Continent and from UK-Continent to India, the vessel can carry maximum bale capacity of 26186 cbm. Thus in one voyage, the vessel can carry 2X26186 cbm. Therefore, in 3 voyages, the vessel would carry 2 X 26186 X 3 cbm bale capacity.

(i) Loadable bale capacity 26186 X 2 per voyage : 52372 cbm

(ii) Net tonnage of ship (NT) : 8294

(iii) Max No. of voyages/year : 3

(iv) Loadable capacity 26186 cbm X 2 X 3 : 157116 cbm

NT : cbm based on volume of cargo (iv)/(ii)

= (157116 cbm/8294 NT)

1 NT = 18.94 cbm

say 19 cbm

B. Cargo restricted by weight - In each leg i.e., from India - UK Continent and from UK-Continent to India, the vessel can carry maximum cargo weight of 18675 metric tons. Thus in one voyage, the vessel can carry 2 X 18675 metric tons. Therefore, in 3 voyages, the vessel would carry 2 X 18675 X 3 metric tons (mt).

(i) Loadable weight 18675 mt. X 2 per voyage : 37350 mt.

(ii) Net tonnage of ship (NT) : 8294

(iii) Max No. of voyages/year : 3

(iv) Loadable capacity 18675 mt. X 2 X 3 : 112050 mt.

NT : weight based on loadable weight of (iv)/(ii)

= (112050 mt./8294 NT)

Or 1 NT = 13.50

say 14 mt.

The loadable capacity in volume and weight has been taken on per year basis.

5. Incidental activities for the purpose of relevant shipping income

(a) Maritime Consultancy Charges - Maritime consultancy charges received by a shipping company in the course of business of operating ships in lieu of knowledge offered by it to other companies which do not possess such expertise and which may among other things include rendering advice on setting up of shipping business, ship designing and repair and business acquisition, etc.

(b) Income Earned from Loading/Unloading of Cargoes - Charges received for services in connection with loading and unloading of cargo to and from the ship (such charges being separate from the transit charges).

(c) Ship Management fees/remuneration for managed vessels - Fees or remuneration earned for providing services of operation and maintenance of vessels on behalf of other ship owners/agencies.

(d) Maritime Education/Recruitment fees - Training fees charged/earned by a shipping company by extending its surplus training facility to other personnel in the shipping industry and fees earned from foreign ship owners for rendering services by way of screening, interviewing, short-listing and recruitment of floating staff and officers.

6. Calculation of average of net tonnage for computing the limit for charter-in (illustrative example) :

Ship No.	Ownership/type of operation	Net Tonnage	No. of days	Ton-days	
				Operation	Charter-in
1.	Qualified ship chartered-in on BBCD basis	11000	365	4015000	-
2.	Owned qualified ship	15000	365	5475000	-
3.	Owned qualified ship but chartered out on BBC basis to another company for more than 3 years	20000	365	0	-
4.	Qualified ship chartered-in for 5 years on BBC basis	12000	365	4380000	4380000
5.	Qualified owned ship - time chartered - out	10000	365	3650000	-
6.	Qualified ship - voyage chartered-in	15000	60	900000	900000
7.	Qualified ship - time chartered-in	20000	120	2400000	2400000
8.	Qualified ship - time chartered in	15000	365	5475000	5475000
9.	Qualified ship-chartered-in (slot charter)	5000	365	1825000	1825000
10.	Qualified ship-chartered-in (space charter)	6000	365	2190000	2190000
Total				30310000	17170000

Percentage of tonnage chartered-in: $(17170000/30310000) \times 100 = 56.65\%$. Since the percentage of net tonnage chartered in is more than 49%, as per section 115VV, the company's option for tonnage tax scheme will cease to have effect.'