

MEMORANDUM CIRCULAR NO. 111

**TO : ALL OVERSEAS SHIPPING COMPANIES AND
OTHER MARITIME ENTITIES CONCERNED**

**SUBJECT : AMENDING MEMORANDUM CIRCULAR NO. 42-A
ON THE GUIDELINES GOVERNING
APPLICATIONS FOR BAREBOAT
CHARTERING/REGISTRATION OF VESSELS
UNDER PDs 760/866/1711.**

In order to translate into practical realities the policy of encouraging investments in the acquisition of vessels for overseas operations through importation and local purchase, thereby stimulate the development and growth of bonafide shipowning, Memorandum Circular No. 42-A is hereby amended, to wit:

- A. **Measures to Encourage Shipowning/Less-Irrevocable-Purchase (LIP) Arrangements.**
1. Shipowning Companies
 - a. A MARINA-accredited overseas shipping company shall be allowed to bareboat charter additional seven (7) vessels on top of its existing chartered ships for every owned vessel; and
 - b. A shipowning company shall have the option to allocate its quota of chartered vessels to qualified subsidiary companies.
 2. Companies with LIP Contracts
 - a. Any existing accredited overseas shipping company without any owned tonnage may be allowed to initially engage in the acquisition of a vessel for overseas operation through a Lease-Irrevocable-Purchase (LIP) Scheme provided:
 - i. The company's paid-up capital shall be at least P 7.0 Million ; and

- ii. The vessel to be acquired shall not be less than 2,500 dwt; and
- iii. The company or any of its affiliate companies shall enjoy the right to bareboat charter a maximum of five (5) additional vessels provided that an equivalent of 50% payment of the total purchase price has been effected.

3. Penalties/Sanctions

- a. In the event the lease-irrevocable-purchase scheme or acquisition is revoked for any reason, thereby reverting the same to pure bareboat charter, the following shall be imposed:
 - i. The company shall pay to the Bureau of Internal Revenue the 4.5% withholding tax of the vessel's bareboat charter hire reckoned from the vessel's date of delivery to the bareboat charterers up to the date of re-delivery to the registered owners or up to the deletion of the vessel from the Philippine registry, whichever is later. Proof of such remittances shall be submitted to the MARINA within sixty (60) days from revocation of the LIP; and
 - ii. The amount of P500,000.00 shall be imposed as penalty;
 - iii. The charter party of bonus vessels bareboat-chartered under the LIP scheme shall no longer be extended upon expiry nor shall the vessels be replaceable pursuant to item B. hereof.

B. Replacement of Deleted Vessels

Any existing bareboat chartering company duly accredited by MARINA and without any owned tonnage may bareboat charter a vessel as replacement of a previously bareboat chartered vessel already deleted provided the vessel to be replaced was deleted after 31 December 1985; and provided, further, that the replacement of the vessel shall require the necessary incremental increase in paid-up capitalization stipulated under MC No. 42.

C. Pre-Approval Documentary Requirements

The applicant company under this Memorandum Circular shall submit the following pre-approval documentary requirements:

1. Those stipulated under MC NO. 85 and the Rules and Regulations implementing PDs 760/866/1711;
2. For companies engaged in an LIP arrangement and applying to exercise the right to bareboat charter the additional vessels of up to a maximum of five (5) vessels, the duly notarized certification from the seller/mortgagee bank attesting to the payment of an equivalent of 50% of total purchase price; and
3. Other documents which the MARINA Administrator may deem necessary/relevant.

D. Saving Clause

All provisions of Memorandum Circular Nos. 33-A, 38 and 42 and of the Rules and Regulations Implementing PDs 760/866/1711 which are not contrary to or inconsistent with this Memorandum Circular shall remain in full force and effect.

E. Repealing Clause

Memorandum Circular No. 42-A is hereby repealed.

F. Effectivity Clause

This Memorandum Circular shall take effect fifteen (15) days after its publication once in a newspaper of general circulation.

Manila, Philippines, 13 July 1995.

PACIENCIO M. BALBON, JR.
Administrator

SECRETARY'S CERTIFICATE

This is to certify that Memorandum Circular No. 111 has been approved in the meeting of the Maritime Industry Board held on 13 July 1995.

PURITA C. CENTENO
Corporate Secretary

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