

Article

Establishing a Ship Owning Company in Bermuda

Author: Victor Richards, Director

Bermuda is a world-renowned centre for international business. More than ten thousand international exempted companies are registered in Bermuda, including many ship-owning companies such as Princess Cruise Lines, Norwegian Cruise Lines Holdings, Frontline, Golar LNG, GasLog and Golden Ocean Group.

“Exempted” companies may be owned wholly or in part by non-Bermudians, and are restricted to carrying on business from Bermuda in connection with transactions and activities outside the island. Their formation and operation are governed by the Companies Act 1981.

Incorporation process

An application to incorporate an exempted company must be submitted for approval to the Bermuda Monetary Authority (BMA), together with a declaration confirming the financial standing and integrity of the proposed ultimate beneficial owner/s of the company. If the BMA is satisfied, a consent to incorporate will be issued, and the company’s Memorandum of Association may then be filed with the Registrar of Companies.

A fee must be paid at the time of incorporation and in January of each year thereafter. Fees are on a sliding scale based on a company’s capital. For example, the fee for a company with an assessable share capital of up to \$12,000 is \$2,095 per year.

Requirements

The company must have a registered office in Bermuda, the address of which is filed with the Registrar of Companies, and at which is kept the register of directors and officers, minutes and records of account. The name and address of shareholders will be entered in the register of members, which must be available for inspection at the company’s registered office.

Every Bermuda exempted company is required to have at least one director and a secretary. These may be either an individual or a company. To satisfy the residency requirement contained in the Companies Act, the secretary or at least one director must be ordinarily resident in Bermuda. A company may satisfy the residency requirement by appointing either an individual or a company to act as its resident representative in Bermuda.

The initial subscribers to the Memorandum of Association will be the provisional directors of the company who hold office until a Board of Directors is appointed by the shareholders. It is the duty of the provisional directors to convene a general meeting as soon as convenient after the minimum share capital has been subscribed. This meeting will be deemed to be the annual general meeting for the year in which it takes place, and is usually followed by the first meeting of the Board.

Economic Substance

Shipping is a ‘relevant activity’ under Bermuda’s Economic Substance Act 2018. For more information on what puts an entity in scope of the Act, and the requirements for those entities in scope, please see Economic Substance and Bermuda Shipping Companies [insert link to article on Conyers website].

Taxation

There is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by a Bermuda company or its shareholders, other than shareholders ordinarily resident in Bermuda for exchange control purposes.

Exempted companies are not subject to exchange control regulations, so they may make payments of dividends, distribute capital, open and maintain foreign currency bank accounts and purchase securities etc., without reference to the BMA

Shipping legislation and regulations

The current legislation governing ship registration in Bermuda is the Merchant Shipping Act 2002, as amended by the Merchant Shipping Amendment Act 2004 (the Shipping Act). The Shipping Act and the Merchant Shipping (Registration of Ships) Regulations 2003, as amended in 2019, together form a comprehensive and modern shipping code which mirrors that of the United Kingdom.

Bermuda companies are permitted to own ships registered in any jurisdiction throughout the world, provided that such jurisdiction allows a Bermuda company to own ships registered on its register. Bermuda companies can also charter and operate ships of any flag.

Ship registration in Bermuda

The Bermuda Shipping and Maritime Authority (BSMA) is a Category 1 member of the prestigious Red Ensign Group. It is able to register ships of unrestricted type or tonnage.

Eligibility

International shipowners can register vessels owned by companies incorporated in the UK, any British territory and most European countries, as well as the following jurisdictions:

Australia	Japan	Singapore
Bahamas	Liberia	South Africa
Canada	Marshall Islands	South Korea
China PR	Monaco	Switzerland
Hong Kong	New Zealand	United Arab Emirates
India	Panama	United States of America

Principal Representative

Where a Bermuda registered ship is owned by a majority interest that is not resident in Bermuda, the owners are required to appoint a local 'representative person', also known as a principal representative. The principal representative can be an individual resident in Bermuda, or a company incorporated in Bermuda with its principal place of business on the island.

It is the responsibility of the non-resident owner to appoint the principal representative before applying for registration and thereafter to maintain the appointment for as long as the ship remains on the Bermuda Register. Conyers is able to provide principal representative services in connection with any Bermuda ship or yacht owned by a non-resident owner.

How can we help?

Conyers has over 90 years of experience advising Bermuda shipping companies. Our affiliated company, Conyers Corporate Services, provides a full suite of services including incorporation, registered offices and directorship services, as well as company administration and secretarial services. For more information, contact any of those listed below.

Author:

Victor Richards
 Director
 victor.richards@conyers.com
 +1 441 299 4926

Other Contacts:

Marcello Ausenda
 Director
 marcello.ausenda@conyers.com
 +1 441 299 4954

Guy Cooper
 Director
 guy.cooper@conyers.com
 +1 441 299 4938

This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

For further information please contact: media@conyers.com