

## **VESSEL REGISTRATION IN CROATIAN REGISTERS AND RECORDS AS PART OF THE NECESSARY ALIGNMENT WITH THE EU ACQUIS**

Scientific paper

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### **Abstract**

**Purpose** – Vessel's flag is not only outward sign, but also a synonym of the vessel's state which includes the jurisdiction of the state and its control over the administrative, social, economic and technical issues related to the ship and its crew. Purpose of this paper is to show that for boat owners the choice of the flag in the modern shipping practice is a crucial factor due to numerous aspects.

**Design/Methodology/Approach** – Croatia has recently fulfilled its strategic goals and has become a full member of the European Union. Numerous laws and regulations inherited in the accession process had an impact on all spheres of Croatian legislation, including the maritime legislation. One of the regulations that required quick adoption and quality adjustment refers to the vessels in the temporary importation, since the great majority of vessels in Croatia were in the temporary importation until the beginning of the year 2013. This paper aims at revealing the number of boats owners that re-registered their vessels under the Croatian flag in ACI marina on the territory of Primorsko-goranska country.

**Findings** – Becoming a part of the European Union required a regulation for the European Union residual vessels owners. Their vessels are no longer treated as foreign goods and that obligates their owners to solve the customs status and also to pay VAT and customs. The specific example of adapting legislation in the field of re-registering the vessel will be analyzed as well as occurred changes of sailing under the flag before and after the Croatian accession to the European Union.

**Originality** – This paper determines the effects of the "action" of re-registering vessels under the Croatian flag, that lasted for six months, and from which the state budget generated 303 million kunas. Except for one-time payments to the budget, the transfer to the Croatian state flag brought new taxpayers that will regularly participate in the payment of all types of taxes, such as maritime domain.

**Keywords** nautical tourism, re-registration of ships, legislation , the European Union

### **INTRODUCTION**

Looking from a traditional point of view or from a legal perspective, the ship and its flag have always been intertwined and related factors. The most significant legal consequence arising from the ship's flag is its nationality, or its distinction among ships under other flags, or other nationalities. The 1982 UN Convention on the Law of the Sea, the main international legal instrument of the regulation of maritime relations between states, states the fundamental rule of maritime affairs in Article 91, paragraph 1: "Ships have the nationality of the State whose flag they are entitled to fly."<sup>1</sup> Under

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<sup>1</sup> OG MU 11/95

the Convention, each state determines the conditions under which it grants its nationality, and other states are obliged to respect the flag assigned.

The radical changes that took place during the 20th century changed the perception of the "genuine link" between a ship's owners and its flag state. Article 94, paragraph (b) of the UN Convention, states that "every State shall effectively assume jurisdiction under its internal law over each ship flying its flag and its master, officers and crew in respect of administrative, technical and social matters concerning the ship."<sup>2</sup> Although the Convention states that "there must exist a genuine link between the State and the ship"<sup>3</sup>, Article 94 is an obvious proof that there is no binding criteria according to which the "genuineness" would be estimated or set up, i.e. the notion of "genuine link" is not clearly specified. Thus, each state has a discretionary power to interpret the genuine link, which cannot lead to a unified solution. At the same time, each State must exercise its jurisdiction and executive power over its ships regardless of the (non)existence of the genuine link.

By providing the right of a country to determine the conditions of registering a ship, while not defining the genuine link, the international law led to a meteoric rise in popularity of the flags of convenience, since they set liberal requirements for ship registration and, unlike the international law, extensively define the concept of the genuine link. This resulted in some interesting paradoxes, such as the Mongol fleet, which brings into question the existence of genuine, or any kind of link, since these ships will never sail into a Mongolian harbour (for the simple reason that Mongolia has no access to the sea), and it is difficult to expect they would have a Mongolian crew.<sup>4</sup>

To obtain the nationality of an EU country and enter its national registry, a ship needs to meet certain formal and highly demanding material conditions. Registering a ship with a transfer of ownership means bringing capital into a foreign company, as well as submission to the tax and social system of that state. Thus, in the modern shipping practice, the selection of the ship's flag is the key issue for the ship owner. In this regard, Batinica lists the following options:<sup>5</sup>

- entering a traditional, national ship registry, either domestic or foreign, linking the state to the ship through the state jurisdiction, as well as administrative, technical and social control (*genuine link - a real, live connection*), with all the advantages, but also a number of obligations that serious maritime systems impose on the issues of: ownership, the nationality of the ship owner, the commander and the crew, the technical equipment, the issues of tax, social contributions and other duties related to the operation of the ship,
- entering the so-called open registry (*open registry, flag of convenience*) in one of the many states that allow the ship registration with little or no actual connection (genuine link) with the country of registration, and hence low or no level of control of the flag state over the ship, but with significant fiscal and other incentives,

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<sup>2</sup> Ibidem.

<sup>3</sup> Ibidem. Art. 91, Paragraph 1.

<sup>4</sup> Kološ, S., „Zastave pogodnosti i njihov utjecaj u međunarodnom pomorstvu“, *Pravnik*, Vol. 44 No. 88, July 2010. p. 54.

<sup>5</sup> Batinica, V., „Primjena sustavnog pristupa pri izboru zastave broda“, *Pomorski zbornik*, Vol. 46. No. 1, 2010. p. 131.

- entering one of the so-called international registries (*offshore, international, parallel, secondary*), introduced in some traditionally maritime countries such as Norway, Denmark, Germany, Italy, Luxembourg, Belgium, Portugal (Madeira), in response to flags of convenience. These registers offer plenty of opportunities regarding tax relief and other obligations, including the seafarers' social security but, in some areas, also require a significant degree of genuine link between the ship and the state flag.

If we assume shipping is a perfectly globalised industry then it follows that the market pressures on the ship owner are the same regardless of which nation he operates in. Hence under the ideal market situation flagging behaviour should not change from nation to nation. Except we know that flagging behaviour does indeed change from state to state showing the economics of a state has an effect on flagging behaviour. The macroeconomic environment of a country decides the attitudes towards flagging out and the niches they occupy.<sup>6</sup> Further on, this work deals with the possibilities open to the ship owners when choosing a ship's flag.

#### **OUTSOURCING: A PATH TO A DISLOCATED REGISTRY**

Thanks to the shipping industry, the world ceases to be the sum of isolated states, since the process of integrating isolated societies into the global society is based on overseas trade. The competitiveness of the entire global economy, increased production, the overall specialization and the economy of scale; all are made possible thanks to globalization which has dispersed production and services across various geographic locations, through outsourcing and trade liberalization. This led to the possibility that some functions of the shipping company, such as technical or commercial management of ships, crew and accounting service, and even the ship registry, can be relocated and contractually delegated to the management of entities outside the borders of the ship owner's country. Thus, outsourcing changes the conventional organizational structure of the shipping company into a modern, efficient and flexible structure. The ship's nationality becomes a formal and legal issue. The following example clearly demonstrates how globalization has taken hold in shipping:<sup>7</sup> a Danish ship owner, of a ship built in Croatia and financed by a German bank, which sails under the flag of Liberia, and is insured in the UK; has hired a crew from the Philippines through a specialized crew agency from Cyprus, took a ship on time charter with the charterer in the Netherlands, who then contracted a transport of goods produced in Italy, via a freight forwarder from Switzerland and brokers from France. The cargo was loaded in Slovenia, and should be unshipped in Bahrain at the terminal under the concession of port operators from Japan.

This kind of shipping globalization was enabled with the emergence of open registries. The specialization of functions within maritime shipping has created the preconditions for outsourcing, i.e., a dispersion of management functions within the maritime

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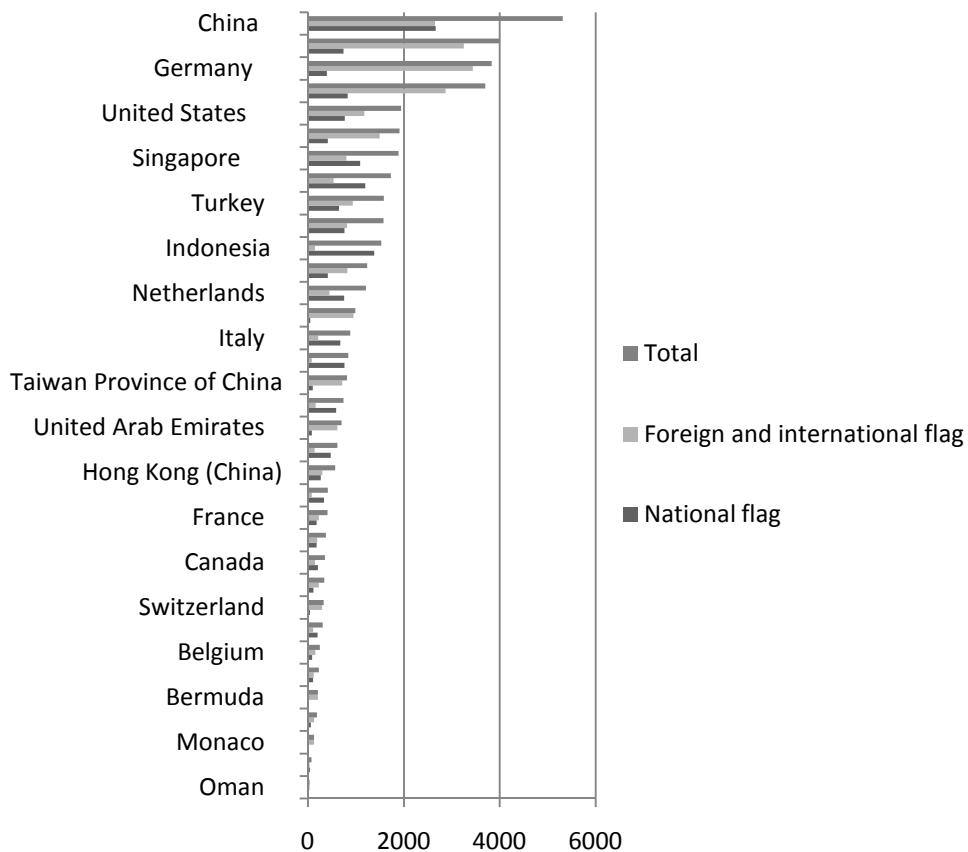
<sup>6</sup> Haider, J. J., „Towards a new era in ship registration“, *The international Journal of Logistics Management*, Vol. 24. No. 1, 2013., p. 91.

<sup>7</sup> Domijan-Arneri, I., „Globalizacija i morsko brodarstvo“, *Naše more*, 53 (1-2), 2006., p. 14.

shipping, as well as a dispersion of the ship's ownership beyond national borders. The globalized, highly competitive maritime shipping services in some countries are becoming too expensive and are left to those who can do the job more cheaply and efficiently. This way of doing business refutes the argument that trade follows the flag.

Flags of convenience are in direct connection with the so-called open ship registries that offer a simpler and less formal ways of registration, and a host of other benefits in the form of lower taxes or more liberal crew regulations. Open registries, i.e. the countries with open registries, grant a suitable flag with all the benefits, enabling the ship owners to increase their competitiveness on the market.<sup>8</sup>

Chart 1: **The 35 countries and territories with the largest owned fleets, as of 1 January 2013 (Dwt)**



Source: Author's interpretation according to UNCTAD Review of Maritime Transport (2013)

<sup>8</sup> Kološ, S., „Zastave pogodnosti i njihov utjecaj u međunarodnom pomorstvu“, *Pravnik*, Vol. 44 No. 88, July 2010., p. 52.

Flags of convenience draw the ships to their registries providing a flexible treatment adapted to the ever-changing conditions, lower taxes and fees, less regulation and more freedom. In this way, the state flag realizes financial benefit as well. Although these figures are not astronomical, the income is welcomed, given that the flags of convenience are generally smaller or economically weaker states. The ship owners, driven primarily by economic logic, search for those registers where they can get the best price for registering their ship.<sup>9</sup> Capital moves in a way that enables the largest increase, resulting in the ships moving away from the traditional closed registries and toward the new, custom open registries or flags of convenience.

The traditional distinction between “national” flagged fleets and “open registers” is becoming increasingly blurred. Among the top 35 fleets, there are 11 that could be considered purely open as less than 2 per cent of the ships flying their flags belong to owners from the same country. At the other end of the spectrum, there are 8 flags that are used almost exclusively (more than 95 per cent of the total) by owners from the country; these could be called purely national flags. In between, 16 of the top 35 flags are used by both national and foreign owners.<sup>10</sup>

#### **PREREQUISITES FOR AN INCREASE IN THE NUMBER OF VESSELS UNDER THE CROATIAN FLAG**

The Adriatic Sea covers an area of 138 595 km<sup>2</sup>, or 4.6% of the Mediterranean Sea. Spreading from the Gulf of Piran in the northwest to the outer part of the Bay of Kotor in the southeast, with a 23 975 km long coastline strip around Neum, the Adriatic coast is unique for its indentation. As many as 1246 islands, islets, rocks and reefs located in the territorial waters of the Republic of Croatia, make the Croatian coast the most indented coastline of the Mediterranean, immediately after Greece. Taking into account the list of countries with the largest fleets, it is a shame that Croatia is not among them, since it has the prerequisites to be one of the leading nautical countries in the Mediterranean and even the world.

After more than eight years since applying for EU membership, and nearly six years of negotiations, Croatia entered the European Union, and joined the EU's single market of 500 million consumers. However, the accession did not end the process of implementation and execution of the EU acquis. The European integration guidelines are based on:<sup>11</sup>

1. Integration activities,
2. Local, national and regional activities,
3. Implementation of common EU policies in the new member states.

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<sup>9</sup> Ibidem, p. 55.

<sup>10</sup> UNCTAD: Review of Maritime transport 2013., p. 54-55.

<sup>11</sup> Jasprica, D., „Značenje turizma u integracijskim procesima Europske unije“, *Naše more*, 59 (3-4), 2012., p 116.

The latter guideline led to a change in the VAT Directive on the sports and pleasure boats which increased the number of vessels under the Croatian flag in the period of six months. In addition to the tax reliefs, Croatia also offers its well-developed nautical tourism to the newcomers.

In the newly emerging European economic development models, in which local and regional communities represent the nucleus of a strategic economic development, nautical tourism plays a special role.<sup>12</sup> Having in mind Croatian littoral area with its unique attractive coast and islands, it can be said that nautical tourism is absolutely authentic and distinctly recognizable Croatian "tourist product". In spite of numerous comparative advantages, Croatian nautical tourism still has not taken the right place on the market of Mediterranean nautical tourism. Future development of nautical tourism with its complementary activities – nautical economy, should be considered as the driving force for social and economic development of Croatian coastal area and islands, and it should be correctly dimensioned in accordance with carrying capacity of the geographical basis and sustainable development principles.<sup>13</sup>

The development of nautical tourism in Croatia is linked to the development of seafaring. Croatian coast has been visited by numerous vessels under foreign flags, belonging to important, wealthy personalities of the period. A stronger development of nautical tourism took place in the late 1970s. In 1983, as a result of tourism development and the need to overcome the huge disproportions between the natural and geophysical characteristics of our coast and the undeveloped nautical tourism, the Adriatic Yacht Club was created.<sup>14</sup> The company, founded with the aim of promoting nautical tourism, was originally called Adriatic Club Yugoslavia (ACY). As of 1991, the acronym ACY stands for Adriatic Yacht Club and, in 1991, the company was re-established as a joint-stock company under the name Adriatic Croatian International Club d.d. (ACI Club).<sup>15</sup> In the period from 1984 to 1990, 20 marinas with 5 814 berths were built. By the beginning of the 1990s, a total of 39 marinas with 10 280 berths were built in the Adriatic. In this period, nautical tourism on the Croatian coast and islands finally begins to form and develop. The period from 1993 onward is marked by the privatization of marinas, bringing forth the developmental interests of their new owners.<sup>16</sup> The last marina in the ACI system is Marina Opatija that opened in 1990. In 2013, ACI received confirmation of the main project design for the construction of the Marina Slano, which should be built in the bay Blato - Popove mladine. Croatian ports for nautical tourism in Primorje-Gorski Kotar County classified by the Croatian Ministry of Tourism are the following:

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<sup>12</sup> Luković, T.: Nautički turizam Europe: kako ga definirati i razvrstati?, *Acta turistica nova*, 1 (2007), 2; pp. 157.

<sup>13</sup> Favro, S., Saganić, I., „Prirodna obilježja hrvatskog litoralnog prostora kao komparativna prednost za razvoj nautičkog turizma“, *Geoadria* 12/1 (2007), p. 59.

<sup>14</sup> Gračan et. al. Prema: Privredna komora Hrvatske-Radna ekipa za turizam, Program razvoja u nautičkom turizmu Hrvatske od 1986. do 1990., Zagreb, 1986, p. 171.

<sup>15</sup> D. Gračan, et. al.: *Strateška usmjerenja nautičkog turizma u Europskoj uniji*, Fakultet za menadžment u turizmu i ugostiteljstvu, Opatija, 2011., p. 200-202.

<sup>16</sup> Favro, S., Saganić, I., „Prirodna obilježja hrvatskog litoralnog prostora kao komparativna prednost za razvoj nautičkog turizma“, *Geoadria* 12/1 (2007), p. 68.

Table 1: Nautical tourism ports in Primorje-Gorski Kotar County in 2014

	Dry moorings	Wet moorings
<b>Marinas(total)</b>	<b>700</b>	<b>2443</b>
ACI marina Opatija	50	304
ACI marina Cres	140	420
Marina Lošinj		100
Marina Punat	300	826
Stari gat		50
Y/C Marina	110	150
ACI marina Supetarska Draga		276
ACI marina Rab		140
Cres Shipyard Marina	60	17
Admiral	40	160
<b>Anchorage (total)</b>		<b>120</b>
Unije		50
Ilovik		70

Source: Author's interpretation according to the Croatian Ministry of Tourism, (2014)

The statistical data for 2014, categorized by the Croatian Ministry of Tourism, shows that the territory of Primorje-Gorski Kotar County has 10 marinas and 2 anchorages. Total capacities of marinas is 3143 berths, of which 2443 wet and 700 dry moorings, total capacities of anchorages is 120 berths.

## THE PROCESS OF VESSEL REGISTRATION

In addition to the mooring contract with a marina, the registration of a vessel requires the documents listed in Table 2. The entire process of the re-registration can only be undertaken by an authorized shipping agent on behalf of the owner. The vessel re-registration is divided into three main parts. The first and foremost is paying the customs duty and VAT for vessels under temporary import procedure. In the period from 01 Jan 2013 to 31 May 2013, such vessels had the possibility to pay the customs duty and VAT at reduced rates. Once the customs duty is paid, a customs clearance declaration is issued to the authorized shipping agent on behalf of the owner. The customs declaration is proof that the customs and VAT have been paid for the vessel. The next step in the process of vessel registration refers to the vessel owner. The owner must obtain the certificate of deregistration from the Register of Shipping of initial registration. This is the only part of the registration process that the owner must personally perform. The rest of the documentation is obtained by the authorized shipping agent. If the owner decides for the area of navigation 2 (international navigation in the Adriatic Sea with a limit of navigation up to 12 nautical miles from mainland or island) or beyond, the vessel must have a license for a radio station on board, which is to be filed with the Croatian Post and Electronic Communications Agency (HAKOM) by the shipping agent.

Table 2: The procedure of vessel re-registration

1. Documents necessary for import customs procedure	Certificate of PIN/OIB
	Copy of the Bill of Sale / Sale and Purchase Agreement or Statement on the vessel's value
	Special Power of Attorney for representation and receiving written communications
	Copy of the owner's passport
	A copy of a valid vignette and the vessel's navigation permit
	Copy of the mooring contract
	Inventory list
	Accounting records
	Vessel photo (a photo with visible name, hull number, engine number)
2. Preparation of documents for the vessel registration	All documents mentioned in section 1 and listed below are submitted to the port authority
	Certificate of deregistration from the Register of Shipping of initial registration
	Customs clearance declaration
3. Vessel registration	Obligatory insurance policy against non material damage
	Proof of registration fee payment for boat (500kn) or yacht (1000kn)
	File a request for radio station license with HAKOM (for the navigation area IIa or wider)
	File a request for vessel name assignment with the Ministry of Maritime Affairs, Transport and Infrastructure
	File a request for basic yacht inspection with the Croatian Register of Shipping
The vessel is registered and entered in the registry	The port authority issues a navigation permit after all the documents in section 2 have been submitted
The vessel with a wider navigation area is registered and entered in the registry	The port authority issues a navigation permit after all the documents in section 2 and the permit for a radio station have been submitted
	The yacht name certificate and the permit for a radio station are submitted to the port
	The port authority issues a yacht registration certificate
A yacht is registered and entered in the registry	After the initial technical inspection, the Croatian Register of Shipping issues the certificate attesting the yacht's seaworthiness

- Refers to boats
- Additionally for boats with navigation area 2a and wider, and yachts
- Additionally for yachts

Source: author's interpretation

After submitting all the necessary documents, the port authority issues a navigation permit. The process of registering a yacht is very similar, except that the shipping agent must file a request for vessel name assignment and a request for basic yacht inspection. After the Ministry of Maritime Affairs, Transport and Infrastructure issues the yacht name certificate and HAKOM issues the permit for a radio station, the port authority



issues a yacht registration certificate. However, this certificate alone is not enough for a yacht to sail, but needs to be complemented with the certificate attesting the yacht's seaworthiness, issued by the Croatian Register of Shipping after the initial technical inspection.

On 04 Feb 2013, the Official Gazette (OG 14/13) issued a new regulation on fees for the registration of boats, yachts and ships and the enrolment in the Croatian registry. This regulation was especially anticipated due to the short period of registering a vessel in the status of temporary importation under lower tax and customs rates, lasting until 31 May 2013.

**Table 3: Previous vessel registration fees by OG 41/05**

REGISTRATION FEE FOR BOATS AND YACHTS (Domestic shipyards and the EU)			
(in HRK)			
Boat		Yacht	
1 ≤ 7 m	1 > 7 m	12-15m	Over 15 m
50,00	150,00	10.000,00	25.000,00
REGISTRATION FEE FOR BOATS AND YACHTS (Other foreign shipyards)			
(in HRK)			
Boat		Yacht	
1 ≤ 7 m	1 > 7 m	12-15m	Over 15 m
2.000,00	10.000,00	30.000,00	50.000,00

Source: OG 41/05

The decree was necessary to resolve the absurd situations in which the costs of vessel registration became greater than the customs duty and VAT. With this regulation, everybody gains (both domestic and foreign boat owners), since it made the registration of vessels significantly cheaper.

**Table 4: Vessel registration fees by OG 14/13**

REGISTRATION FEE FOR BOATS AND YACHTS			
(in HRK)			
Boat		Yacht	
1 ≤ 7 m	1 > 7 m	12 m < L < 24 m	L ≥ 24 m
100,00	1.000,00	4.000,00	8.000,00

Source: OG 14/13

On 04 Feb 2013, the regulation on fees for the registration of boats, yachts and ships is no longer valid ("Official Gazette", no. 41/05 and 24/06).

## THE COMPARISON OF REGISTRATION FEES UNDER PRIVILEGED AND UNDER THE OLD CONDITIONS

The comparison of registration fees is shown on the example of the vessel Bavaria 31, registered in 2000 to a natural person. In 2013, the retail value of the vessel<sup>17</sup> was € 30 600 (HRK 230 000). The table shows a comparison of the registration fees for Bavaria 31 in the period of lower customs duties and VAT and in the period before the privileged customs duties and VAT rates.

Table 5: Comparison of fixed registration costs on the example of the vessel Bavaria 31

	Registration fees (in HRK) before 01 Jan 2013	Registration fees (in HRK) from 01 Jan 2013 to 31 May 2013
Vessel retail value	230.000,00	230.000,00
Customs duties	18.400,00	3.910,00
VAT	58.477,00	11.695,00
Registration tax	700,00	700,00
Registration fee	150,00	1.000,00
Total	77.727,00	17.305,00

Source: author's interpretation

The table shows only the fixed costs of the registration, on the example of a Bavaria 31. The costs of shipping agents and attorneys are not included, due to the variable compensation rates. As this example clearly shows, the total fixed costs before the privileged period reached 33.7% of the retail value while, in the period from 01 Jan 2013 to 31 May 2013, they amounted to only 7.5% of the retail value. If the example covered a vessel built outside the EU, the registration fee would be as high as HRK 10000. It is easy to see how many great benefits could the vessel owners' have realized by registering their vessels under the Croatian flag in the specified period.

## PROBLEMS IN RE-REGISTRATION PROCESS

Most of the problems in the process of registering a vessel relate to the bureaucratic inertia. This is proved by the mere fact that the new regulation on registration fees was issued on 04 Feb 2013, a full month after the beginning of the campaign. The vessels with outboard motors were initially charged two sets of customs duties; one for the vessel (1,7 / 2,7% customs duty and 5% VAT), and the other for the outboard motor (8% customs duty and 25% VAT). In mid-February 2013, another change followed, when the Tax Administration issued a decision that the vessels with outboard motors (in cases where the outboard motor is part of the vessel's basic equipment) and the vessels with internal motors are to pay the same customs duties.

<sup>17</sup> Vessel retail value according to "Schwacke Liste" Marine catalogue.

Some states do not have classical registries, classifying the sports and pleasure vessels, but rather have organizations such as the ANWB in the Netherlands or ADAC in Germany. These associations cannot issue a Certificate of deregistration, nor provide the possibility of revalidation (apostille), which further confounded our bureaucracy, and led to different interpretations of the received documents

Every yacht or boat must have the three main documents in which the details of the vessel's length are documented: navigation license, declaration of conformity and the builders certificate. The problem arises with the port authority and the Croatian Register of Shipping. In some cases, these institutions consider that the length of the vessel stated in the navigation license is not credible. The problem deepens if a vessel has different lengths reported in different documents. In such cases, the declaration of conformity is considered the most authoritative document. If the vessel does not have one, the builders certificate is considered the most relevant. A vessel that has none of these two documents can be measured on the spot by the authorities, and the data entered into the new documents. The result of such legal obligations is a lengthy registration procedure.

#### **REGISTRATION DATA FOR ACI MARINAS IN PRIMORJE-GORSKI KOTAR COUNTY**

According to the data from the Customs Administration, by the end of May (the period of registering a vessel in the status of temporary importation under lower tax and customs rates), 4130 owners of foreign vessels paid the customs duty and VAT in the Republic of Croatia. Due to the absence of a single registry with complete data of newly registered vessels, this study was limited to the area of the ACI marinas in the Primorje - Gorski Kotar County, i.e. ACI Marina Opatija, ACI Marina Cres and ACI Marina Supetarska Draga. Table 6 outlines the vessels' flags before registering under Croatian flag. Most of the registered vessels were under the US flag; 46 vessels out of total 84 registered vessels, followed by Austria (15 vessels). Other, much less common flags are those of: Switzerland, Germany, Hungary, Great Britain, the Czech Republic, the British Virgin Islands, Italy, the Netherlands, Slovakia and Gibraltar.

Due to the simplicity of registration and the benefits provided by the US flag, many vessel owners have decided on this flag of convenience. The process of registration under the US flag is very simple because there is no supervision or inspection of such vessels. There are no restrictions, so it is possible that a citizen of any country has a vessel registered under the US flag.

**Table 6: Vessels registered in the Croatian registries in ACI marinas in Primorje-Gorski Kotar County**

Vessel's flag before registration	ACI marina Opatija		ACI marina Cres		ACI marina Supetarska Draga	
	Vessels < 12 m	Vessels >12m	Vessels < 12 m	Vessels >12m	Vessels < 12 m	Vessels >12m
USA	18	4	13	4	4	3
AUT	3	1	4	3	3	1
CHE	1		1			
DEU	2		2		1	
HUN	1					
GBR	1			1		
CZE	1			1	1	2
VGB	1					
ITA					1	
NLD			1			
SVK			4			
GIB				1		
TOTAL	28	5	25	10	10	6
						84

Source: Author's interpretation of ACI Club's data

The vessels registered under the Croatian flag owned by foreign nationals, have the same rights and are subject to the same restrictions as Croatian nationals' vessels, including an annual fee for use of maritime domain (15HRK/meter of length and 5HRK/kW).

## CONCLUSION

Registering a vessel in the status of temporary importation under lower tax and customs rates represents only one in a series of EU regulations which Croatia had to implement as part of the EU accession process. The biggest stumbling block in the overall adaptation to the European Union laws was the insufficient preparation and knowledge of the Croatian civil services. The vessel registration process started under one law, which changed in order to enable greater procedure efficiency. This has demonstrated a certain level of flexibility in the process and confirmed that stronger engagement leads to a quicker response and problem solving. Another huge problem is the lack of uniformity among customs offices in which the vessels are cleared and port authorities in which the vessels are registered. The lack of uniform rules only further prolonged the whole process of registration, which shed a negative light on the Republic of Croatia. Many vessel owners who have decided to sail under the Croatian flag, found themselves in an unenviable position. Namely, having been deregistered from the Register of Shipping of initial registration, the vessel could not be used before registering in a Croatian registry, which often took place over the summer.

European residents - owners of vessels in the status of temporary importation in the Republic of Croatia, are required to regulate the status of those vessels. This can be done in one of the following two ways: either registering a vessel under the Croatian flag, or regulating the status of the vessel in the flag state. The owners who do not meet this requirement cannot keep their vessels in the status of temporary importation in Croatia, since Croatia is a member of the European Union, which makes those vessels "imported". For now, there is no information on the number of vessels that have left Croatia and sought a berth in another, non-EU country, in order to maintain the status of temporary importation.

In the period from 01 Jan 2013 to 31 May 2013 (the period of registering a vessel in the status of temporary importation under lower tax and customs rates), 4130 owners of foreign vessels paid the customs duty and VAT in the Republic of Croatia, bringing a total of HRK 303 million of direct income. The indirect income will become clear in the next few years through the payment of annual fees. The most important result of this whole project is the newly formed database on the total number of vessels in the Republic of Croatia.

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