

CYPRUS SHIPPING COMPANIES

GENERAL INFORMATION

The Merchant Shipping Legislation fully approved by the EU provides various tax exemptions for shipping operations provided certain conditions are met for qualifying ship-owners, charterers and ship managers, from the operation of qualifying community ships (ships flying a flag of an EU member state or of a country in the European Economic Area) and foreign (non community) ships (under conditions), in qualifying activities.

The exemption applies to:

- Profits derived from the use/chartering of the ships
- Interest income relating to the working capital of the company
- Profits from the disposal of qualifying ships
- Dividends received from the above profits at all distribution levels.
- Profit from the disposal of ship owning companies and its distribution

The exemption also applies to the bare boat charterer of a vessel flying the Cyprus flag under parallel registration. Charterers Exemption is given to:

- Profits derived from the operation of chartered ships
- Interest income relating to the working capital of the company
- Dividends received from the above profits at all distribution levels

The law grants the exemption provided that the option to register for Tonnage Tax is exercised for all vessels and provided a composition requirement is met. ie at least 25% (reduced to 10% under conditions) of the net tonnage of the vessels owned or bare boat chartered. The tax exemption covers:

- Profits from technical and/or crew management
- Dividends paid out of these profits at all levels of distribution
- Interest income relating to the working capital of the company In order to qualify ship managers must satisfy the following additional requirements:
- Maintain a fully fledged office in Cyprus with sufficiently qualified personnel
- At least 51% of all onshore personnel must be community citizens
- At least 2/3 of total tonnage under management must be managed within the community (anything in excess of 1/3 is subject to corporation tax)

The application of the tonnage tax system is compulsory for owners of ships under the Cyprus flag and optional for owners of non Cyprus flag ships, charterers and ship managers. Those who choose to enter the Tonnage Tax regime must remain in the system for at least 10 years

YACHTS

A special treatment for VAT purposes is also available for yacht leasing companies, if the lessor is registered in Cyprus, which may reduce the normal VAT rate charged to the lessee from 19% to a rate as low as 4.37%. The lessor is expected to make a profit of 5% which will be taxed at a rate of 12.5%

In order for the Yacht scheme to apply ALL of the following conditions need to be met:

- A lease agreement must exist between a Cyprus company and any legal or natural person, irrespective of origin.
- The yacht should sail in Cyprus waters within one month from the commencement of the lease agreement.
- The initial contribution from the lessee to the lessor must be at least 40% of the yacht's value.
- Lease payments are required to be monthly and the lease period cannot exceed 48 months.

The lessor is expected to make a total profit from the lease agreement of at least 5% of the yacht's original value. In the year the lease agreement commences the total amount of lease payments on which VAT is calculated - is increased by half of the calculated profit.

The lessee may purchase the yacht at the end of the lease period and the final instalment which results in the transfer of the ownership of the yacht to the lessee cannot be less than 2.5% of the yacht's value and is subject to the standard VAT rate (19%).

In order for the above percentages to apply a prior written approval from the VAT Commissioner is required. Thus, an application must be filed to the VAT Authorities accompanied by the lease agreement and documentation supporting the purchase price/value of the yacht.

HOW MANN MADE CAN HELP

We can establish the yacht holding structures and provide ongoing services to include the provision of corporate services (the provision of officers, registered office etc.), plus ongoing administration, tax registration, bank account opening, tax compliance, bookkeeping and accounting services and other services if required.

CONTACT US

For more information concerning the Cyprus structure, the services we can provide and our costs, please contact Alan Hollingsworth at:

MannMade Cyprus Limited	Telephone:	+357 26822 122
Corner of Neof. Nikolaides Ave & Theod.Kolokotronis Str,	Email:	alan.hollingsworth@mannmadegroup.com
Onisiforou Centre, 2nd Floor,	Website:	www.mannmadegroup.com
Paphos, Cyprus.		

THE MANN MADE GROUP

Mann Made Group has offices in the Isle of Man, United Kingdom, Hong Kong and Malta, Cyprus and Ireland and is an International group providing corporate and trust structuring and services worldwide. Should you be interested in the services we can provide please visit our website or contact us as follows:

London office

Telephone: +44 (0)20 7100 6799
Email: london@mannmadegroup.com

Italian office

Telephone: +39 366 1116 538
Email: paolo.carlin@mannmadegroup.com

Isle of Man office

Telephone: +44 (0)1624 682100
Email: iom@mannmadegroup.com

Hong Kong office

Telephone: +852 2815 0080
Email: hongkong@mannmadegroup.com

Malta office

Telephone: +356 2761 1127
Email: malta@mannmadegroup.com

Irish office

Email: ireland@mannmadegroup.com