



# **CYPRUS TONNAGE TAX SYSTEM**

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# The Shipping Sector in Cyprus

The unique geographical location of Cyprus, located in the crossroad of 3 continents, at the very edge of the Eastern Mediterranean basin, makes the island an ideal hub for the important routes of Europe, Africa, the Arabian Peninsula and East Asia.

Holding a leading role in the shipping industry and ship management, Cyprus is considered to be one of most attractive shipping centers in the world.

Capitalizing on its strategic location at the crossroads of busy sea trade routes and offering attractive legislative and operational shipping infrastructure, a solid and efficient tax framework and an excellent communications network, Cyprus has successfully built a diversified and robust maritime industry that accounts for over 7% of the country's GDP.

According to the latest records of the Cypriot Department of Merchant Shipping, approximately 42 ship managers, 45 charters and 72 owners of foreign ships are based in the Republic of Cyprus.

1700 registered vessels with 23 million gross tonnages are registered under the Cyprus Flag, making Cyprus:

- The Largest third party Ship Management Centre within the EU
- The 2nd largest Ship Management Centre globally
- The 3rd largest merchant fleet in the EU
- The 10th largest merchant fleet in the world

Many of the ship management companies operating on the island rank among the largest of their kind in the world and it is estimated that they manage over 20% of the world's third-party management fleet.

Indeed, Cyprus is home to some of the world's leading names in the global shipping industry, such as the Italian MSC Mediterranean Shipping Company, the German-owned Bernhard Schulte Shipmanagement and the Russian Unicom Management Services.



# Why Cyprus? Cyprus has the Comparative Advantage



- “Center of Excellence”, - Being Trusted by some of the world’s leading names of the global shipping industry, it ensures the source of trust and excellence supplied by the professional staff.
- Ranking as the largest third party Ship Management Centre within the EU, the 2nd largest Ship Management Centre globally, the 3<sup>rd</sup> largest merchant fleet in Europe and the 10<sup>th</sup> largest merchant fleet in the world.
- Signatory to all international maritime conventions on safety, security and pollution prevention
- Cyprus is included in the whitelist of Paris and Tokyo MOUs regarding safety standards
- Cyprus has an EU-approved “Open Registry” regime, one of the only two ‘Open Registries’ in the EU, with a very wide and legally endorsed Tonnage Tax System (TTS), which covers the three main “maritime transport” activities, namely ship-owning, ship-management (crew and technical management) and chartering. The simplified Cyprus Tonnage Tax System represents a compelling competitive advantage and contributes significantly to the already strong position of the country in the global shipping world.
- Competitive ship registration costs and fees
- No crew/officer nationality restrictions
- 28 Merchant Shipping Bilateral Agreements
- Full protection for financiers and mortgagees
- The Republic of Cyprus has the unique advantage of being a member of the UN, Council of Europe, Commonwealth, member of the Conference for Security and Co-operation in Europe, as well as, member in the Group of Non-Aligned Countries.
- Cyprus is an active member in many international Maritime Organizations such as: The International Maritime Organization (IMO), the international Labour Organization (ILO) and the European Maritime Safety Agency (EMSA)
- Keeping a standard of excellence and organization, by implementing the highest quality standards and by being monitored by the Maritime Administration which includes the Ministry of Communications and Works, the Department of Merchant Shipping and the Ports Authority.

Cyprus offers one of the most attractive tax systems in Europe. The country provides a simplified, effective and transparent tax regime that is fully compliant with the EU, OECD and international laws and regulations. The favorable provisions of the Cyprus tax legislation is what makes the Cyprus holding company ideal for international tax planning purposes.

## The Advantages of the Cyprus Tax System

1. Attractive Tonnage Tax (TT) regime to ship owners, managers and charters and an approved EU open registry.
2. The Tonnage Tax System (TTS) allows mixed activities within a company/group (shipping subject to TT and other subject to 12,5% corporation tax - One of the lowest corporate tax rates in the European Union).
3. Further Tax Exemptions for Qualifying Ship Owners, Charterers and Ship Managers.
4. Extended, beneficial network of double tax treaties
5. Stamp duty exemption on contracts related to Cyprus flag vessels.
6. EU Flag and Bilateral Agreements of Cooperation in Merchant Shipping with 28 countries.
7. Full adoption and compliance with the EU Directives

**8.** Low registration and transaction costs

**9.** Fast and efficient registration process

**10.** No thin – capitalization rules

**11.** There is no controlled foreign corporation (CFC) legislation

**12.** Tax neutral reorganizations for both EU and non-EU group companies

**13.** EU Interest and Royalty Directive can provide exemption from withholding tax over interest payments between affiliated EU-companies

**14.** Group relief of tax losses between a Holding Company and its Subsidiaries.

**15.** Tax losses can be carried forward for five years following the end of the financial year under consideration

**16.** Losses incurred abroad by a permanent establishment of a Cyprus company can be offset against its profits.

**17.** “Non-Dom’ rules introduced for Cyprus tax residents not domiciled in Cyprus, exempt them for any Special Defence Contribution (SDC) payable on interest, dividends and rental income derived from sources within or outside Cyprus.

**18.** Distribution of profits to non-resident shareholders is completely tax-free

**19.** Profits from disposal of vessels, Profits generated from transactions in titles, Dividend income and Profits from foreign permanent establishments are exempted from Corporate Tax

**20.** Dividends, Interest and almost all royalties are exempted from withholding taxes.

**21.** IP Box regime with effective tax rate of 2,5% on qualifying assets

**22.** Extended Tax incentives for non-Cyprus tax residents (expatriates) taking up employment in Cyprus.

# Tonnage Tax System (TTS)

Tonnage tax System (“TTS”) was introduced in 2010 under the Merchant Shipping Law and covers the three main “maritime transport” activities, namely ship-owning, ship-management (crew and technical management) and chartering.

The Beneficiaries are Ship Owners Ship Charterers and **Ship** Managers who respectively own, charter or manage a **qualifying ship** engaged in **a qualifying shipping activity**.

Owners of Cyprus flag ships fall automatically under the tonnage tax regime, whereas ship owners of foreign flag ships, charterers and ship managers may opt to be taxed under the tonnage tax system (TTS) under certain conditions.

## Tonnage Tax Rates

Tonnage tax is charged on a sliding scale according to net tonnage. The initial rates charged to owners and charterers are outlined below:

Units of net tonnage	Rate per 100 units of the net tonnage	
	Ship owners/ charterers	Ship managers
0 - 1.000	€36,50	€9,13
1.001-10.000	€31,03	€7,76
10.001-25.000	€20,08	€5,02
25.001-40.000	€12,78	€3,20
In excess of 40.000	€7,30	€1,83

## Tonnage Tax System Advantages

- Exemption from tax in almost all inbound dividend payments
- Exemption from taxation of shipping profits derived by foreign permanent establishments
- No capital gains tax
- No tax on trading in securities
- Access to all European Directives
- Extensive Double Tax Treaty network
- Tax neutral re-organizations
- No thin-capitalizations
- No Controlled Foreign Corporation (CFC) legislation
- No wealth/inheritance tax
- Exemption from withholding tax on payment of interest, dividends and royalties
- Allows the split of activities between ship management activities

# Qualifying Ship



## **Qualifying Ship Definition**

Qualifying ship is any seagoing vessel certificated under the applicable international or national rules and regulations and registered in the ship register of any member of the International Maritime Organization (IMO) or the International Labour Organization (ILO) which is recognized by the Republic of Cyprus.

**Qualifying Community Ships:** A Community Ship is considered qualified when it is registered for, and flies an EU/EEA flag.

**Qualifying non-Community Ships:** Non – Community Ships are only eligible for the Tonnage Tax System if:

- They are classed by a classification society recognized by the EU
- They are duly certificated as appropriate in accordance with the International Conventions regulating to maritime safety, security and protection of the environment (the flag must be recognized both by the ILO and IMO)
- Are manned by seafarers who are duly certificated in accordance with the STCW Convention. (the flag must be recognized both by the ILO and IMO)

## **The TTS specifically excludes certain types of ships such as:**

- Fishing and fish factory vessels
- Vessels used primarily for sport or recreation
- Inland waterway navigation vessels
- Harbor, estuary and river ferries and tug boats
- Fixed offshore installations (not used for maritime transport)
- Non self-propelled floating cranes
- Non-ocean going tug boats
- Floating hotels, restaurants, casinos

## **Qualifying Shipping Activity**

Any commercial activity that constitutes **maritime transport** or **ship management** (crew management and/or technical management) is considered a qualifying shipping activity.

### **Maritime Transport**

Maritime Transport means the carriage of goods or passengers by sea between ports and/or offshore facilities and also includes ancillary services such as:

- All hotels, catering, entertainment and retailing activities on board of qualifying vessel
- Loading and unloading of cargo
- Operating of ticketing facilities and passenger terminals
- Cable laying activities
- Towage activities, provided that the ocean going tug is a Community ship and spends at least 50% of its time in towage or salvage activity at sea
- Dredging activities, provided that the dredger is self-propelled, has carrying capacity for dredged material



**The Tonnage Tax System (TTS) regime applies to any owner of qualifying vessels that carry out a qualifying activity:**

- Cyprus flag vessels
- EU/European Economic Area (EEA) flag vessels that exercised the option to be taxed under the TT regime (under certain conditions)
- Fleet of EU/EEA and non EU/EEA vessels that exercised the option to be taxed under the TT regime (under certain conditions). **A fleet** consists of two or more vessels that belong directly or indirectly to the same person(s) or to the same group of companies (at least two companies that are directly or indirectly in a parent/subsidiary relationship or that are directly or indirectly subsidiaries of the same parent company).
- Owners of re-flagged ships

### **Owners of Cyprus flag ships**

Ship owners of Cyprus flag ships automatically fall within TTS whereas Cyprus tax resident ship owners of EU/EEA flag ships and of fleets comprising of EU/EEA and third country flag ships may opt to be taxed under TTS.

### **Owners of Community-flagged ships**

Owners of Community-flagged ships, who are owners of a ship registered in an EU/EEA state, are eligible for TTS if:

- a) They are tax residents of the Republic of Cyprus
- b) They own a qualifying ship engaged in a qualifying shipping activity
- c) They have opted to be taxed under the TTS

### Owners of non-Community ships

Owners of non-Community ships are considered eligible for TTS only when:

- a) They are tax residents of the Republic of Cyprus
- b) They own a ship that is a qualifying non-Community ship which is engaged in a qualifying shipping activity
- c) They have opted to be taxed under the TTS
- d) They fulfill the “Community-flagged share” requirement

**“Community-flagged share” requirement:** The legislation allows non EU/EEA vessels to enter the TT regime provided the fleet is composed by at least 60% EU/EEA vessels. If the rate is less than 60%, in terms of tonnage, then the EU/EAA flagged share must not be reduced in the 3-year period, following the exercise of the option.

### Owners of re-flagged ships

When re-flagging a Cyprus qualifying ship to a foreign flag while the Owner is still a tax resident of Cyprus, then the Owner continues to remain in the TTS as an owner of a foreign ship until the expiration of the 10 years period. When the re-flagging of a qualifying foreign ship to Cyprus flag, the owner is automatically subject to tonnage tax.

### TTS Benefits for Ship Owners

Under the Tonnage Tax System the Qualifying Ship Owners are exempt from Income Tax on:

- Profits derived from the use/chartering out of the ships
- Profits from the disposal of qualifying ships or interest therein
- Profit from the disposal of ship owning companies and the distribution of this profit
- Dividends paid directly or indirectly from the above profits at all distribution levels
- Bank interest earned on funds which are used as working capital or on income from shipping operations, provided that these funds are used for the financing or operation and maintenance of the ship.

**Please note: Any ship opting to be taxed under TTS must remain under TTS for 10 years.**

Early withdrawal, for reasons other than the sale of the ship, will result in penalties calculated as the difference between the amount paid under TTS and the amount that would have been paid had it been subject to corporation tax in the same period. Furthermore, the ship owner will lose the right to opt for TTS until the 10 year period from the date the option was first exercised has lapsed.



As with Ship owners, the TTS applies to qualifying vessels that carry out a qualifying activity.

Any legal charterer, tax resident in Cyprus, who is responsible for any legal ship engaged in a shipping activity (bareboat, demise, time, voyage charter), can choose to be taxed under the TTS. For that to hold, the charter needs to fulfill the **“Minimal Share in Ownership requirements”**.

If the choice is not made, profits are taxable under 12,5% corporation tax.

### **Minimal Share in Ownership requirements**

**The particular law requires that at least 25% of the net tonnage of vessels subject to tonnage tax are owned or are bareboat / demise chartered.** The percentage is reduced to 10% if all the vessels of the charterer carry EU/EEA flags or are managed (crewing and technical) in the EU/EEA.

### **What is a Bareboat / Demise Charter?**

A bareboat charter or demise charter is an arrangement for the chartering or hiring of a ship or boat, whereby no crew or provisions are included as part of the agreement. Instead, the people who rent the vessel from the owner are responsible for taking care of such things.

The charter could increase the % of net tonnage tax chartered in from the maximum, 75% or 90%, provided that this excess amount does not occur for more than 3 consecutive tax periods.

If the percentage of net tonnage chartered exceeds the 75% or 90% threshold for more than three consecutive tax periods, the relevant ships representing the tonnage in exceed, cease to be qualifying ships and the charterer's income from those ships is no longer eligible to be included in the TTS and thus will be taxed in accordance with the provisions of the Income Tax Laws in force.

If the percentage of net tonnage chartered-in tax increases up to 100%, the charter is deemed to be a non-qualifying charterer and will be taxed in accordance with the provisions of Income Tax on force.

**Please note: In case where the owned ships are bareboat chartered between tonnage tax companies of the same group, then each ship should only be counted only once, when applying the minimal share of the fleet in ownership rule.**

### **TTS Benefits for Ship Charterers**

Under the Tonnage Tax System the Qualifying Ship Charterers are exempt from Income Tax on:

- Profits derived from the operation of chartered – in ships
- Dividends received from the above profits at all distribution levels
- Bank interest earned on funds which are used as working capital or on income from shipping operations, provided that these funds are used for the financing or operation and maintenance of the ship.

**Please note:** The 10 year rule applies also to charterers and the same penalties as with ship owners apply for early withdrawal.

## Example (As extracted from Department of Merchant Shipping Circular 13/2011)

CASE A	
1 <sup>ST</sup> FISCAL YEAR	Entry precondition 75% or 90% as the case maybe
2 <sup>ND</sup> FISCAL YEAR	Exceeds 75% or 90%
3 <sup>RD</sup> FISCAL YEAR	Exceeds 75% or 90%
4 <sup>TH</sup> FISCAL YEAR	Exceeds 75% or 90%
5 <sup>TH</sup> FISCAL YEAR	As from 1st January % is $\leq 75$ or $\leq 90$ → <b>Compliance with section 47 of Law</b> → <b>Eligible for TTS</b>

CASE B	
1 <sup>ST</sup> FISCAL YEAR	Entry precondition 75% or 90% as the case maybe
2 <sup>ND</sup> FISCAL YEAR	Exceeds 75% or 90%
3 <sup>RD</sup> FISCAL YEAR	Exceeds 75% or 90%
4 <sup>TH</sup> FISCAL YEAR	Exceeds 75% or 90%
5 <sup>TH</sup> FISCAL YEAR	As from 1st January % exceeds 75 or 90 → <b>Exceeds tonnage</b> → <b>Not eligible for TTS</b>

Qualifying Ship	Type of operation	No. of Days	Net tonnage (N.T.)	Ton – Days (N.T. × No. of days)	Ton – Days Owned	Ton – Days Chartered-in
Container	Owned	365	12,000	4,380,000	4,380,000	-
Bulk I	Bareboat chartered in	365	11,000	4,015,000	4,015,000	-
Container II	Time charter	365	18,000	6,570,000	-	6,570,000
Bulk II	Voyage charter	40	17,500	700,000	-	700,000
Bulk III	Voyage charter	120	13,000	1,560,000	-	1,560,000
Bulk IV	Voyage charter	35	10,200	357,000	-	357,000
Total			81,700	17,582,000	8,395,000	9,187,000

**% OF SHIPS CHARTERED – IN IS:**  $\frac{9,187,000}{17,582,000} \times 100 = 52.25\% (<75\%)$

# Qualifying Ship Managers



The rates applicable to ship managers are 25% of those applied for ship owners and charterers. If the choice is not made, profits are taxable under 12,5% corporation tax.

A qualifying Ship Manager is a Cyprus tax resident legal person providing crew and/or technical ship management services to qualifying ships.

**For the law to permit you to be taxed under TTS, the ship manager and crew have to meet the following criteria:**

- Has opted to be taxed under the TTS
- At least 51% of the onshore personnel must be EU/EAA citizens
- Maintains an office in Cyprus, where a sufficient number as well as highly qualified people are employed as per the table below:

	No. of Ships	Skilled crew managers	Qualified marine Managers	Minimum required number of other Employees
Crewing & Technical	1-10	1	1	3
	>10	1	2	7
Crewing	1-10	1	n/a	4
	>10	2	n/a	8
Technical	1-10	n/a	1	4
	>10	n/a	2	8

- Crew managers must fully implement the provisions of the Maritime Labour Convention 2006
- Ship managers performing technical management services must be certified under the ISM code.

- Complies with the **2/3 Rule**: Ship managers can only benefit from the TTS when at least 2/3 of the total tonnage of the qualifying ships managed by the Ship manager in a given fiscal year is managed from the territory of any EU Member State.
- Complies with the **“Community-flagged share”**: 60% of the fleet under management consists of EU/EEA flag ships. If the rate is less than 60%, in terms of tonnage, then the EU/EAA flagged share must not be reduced in the 3-year period, following the exercise of the option.
- All ships and crew under the management must comply with **international standards**, EU law requirements relating to maritime security, safety, training and certifications of seafarers, the environment on board-working conditions, as well as the international standards of working and resting hours.

Crewing Qualified Services	Technical Qualifying Services
1. Selecting and engaging the ship’s crew including payroll arrangements and insurance for the crew.	1. Providing competent personnel to supervise the maintenance and general efficiency of the ship
2. Ensuring that the applicable laws in respect of manning levels, rank, qualifications and certification of the crew and the employment regulations including crew’s tax discipline and other requirements are satisfied.	2. Arranging and supervising of dry dockings, repairs, alterations and the up keeping of the ship to the standards required by the Law of the flag and/or the places the ship trades and/or the requirements and recommendations of its classification society
3. Ensuring that all members of the crew have passed a medical examination certifying that they are fit and are in possession of valid medical certificates	3. Arranging the supply of necessary stores, spares and lubricating oil.
4. Arranging for transportation of the crew	4. Other relevant functions usually performed by ship managers under the BIMCO standard Shipmanagement agreement
5. Training of the crew and supervising their efficiency	
6. Other relevant functions usually performed by ship managers under the BIMCO standard Shipmanagement agreement	

### **TTS Benefits of Ship Managers**

- Tax exemption applies on profits from technical/crew management, as well as on dividends paid out of these profits.
- Interest on income which is related to working capital/qualifying activity given that such an interest is used to pay expenses coming from charter. Note that interest on capital used for investment is not included.

### **TTS Benefits for Crew**

- The salary or other benefits from the employment of the master, the officers and other crew members of a qualifying Cyprus flag ship (including ships under “parallel” registration) are not subject to tax in Cyprus.

### **Be aware!**

- **‘All or Nothing’ option:** All qualifying ships and companies belonging to a group must enter TTS
- TTS option must be exercised by the by the 30<sup>th</sup> of November and entry will be effective from the 1<sup>st</sup> of January of each following year
- Non shipping and shipping income is not eligible for TTS
- The Beneficiaries should maintain books and records to be possible to determine the income subject to TTS and any other income separately and prepare separate accounts.

**Please note:** The 10 year rule applies also to Ship Managers and the same penalties as with ship owners and ship charterers apply for early withdrawal.

# The 2/3 Rule

**T**he 2/3 Rule applies to ship managers, where they can benefit from the TTS only when at least 2/3 of the total tonnage of the qualifying ships managed by the manager in a given fiscal year is managed from the territory of any EU Member State.

The rule is calculated by the e-TTS. For calculating the share in a given fiscal year, only the tonnage of the qualifying ships managed as at 31st of December of the relevant year will be taken into account.

## How to properly use the e-TTS

E-TTS can be accessed through the Department of Merchant Shipping's website: [www.shipping.gov.cy](http://www.shipping.gov.cy).

Beneficiaries can login their account by using their access code and password provided to them every time they exercise their option for admission to the TTS.

The tables can be completed electronically for the submission of the Application form for the admission as well as the submission of the Declaration form every fiscal year.

**After the submission of the TTS, the program stores and automatically transfers all ship's data contained in the Tables of a specific year to the next year for future use.**

**How does it work in reality?** (Example from Department of Merchant Shipping)

SHIPS	NET TONNAGE	Country where management takes place & type of management	
		Technical	Crewing
A *	100,000	United Kingdom	Cy
B	25.000	Bahamas	Cy
C*	16.345	Germany	Cy
D*	33.450	Greece	Cy
E*	45.000	Cyprus	Cy
F	89.500	Singapore	Cy
G	13.000	Hong Kong	Cy
H*	85.000	Denmark	Cy
I*	67.499	Italy	Cy
J	41.000	Panama	Cy
<b>TOTAL TONNAGE</b>	<b>515,794</b>		

**\*Ships managed by the EU/EEA territory = 100,000 + 16,345 + 33,450 + 45,000 + 85,000 + 67,499 = 347,294 → (347,294/515,794) x 100 = 67.33%**

**2/3 (66.67%) of the total tonnage: 343,862.66**

! The percentage of the tonnage of the ships which are entirely managed by the EU/EAA territory is above the 2/3 of the total tonnage (67.33%>66.67%), therefore, the company meets the criteria.

**Addition→** Suppose that, during the year 2012, the technical management of ship A is affected from Antigua and Barbuda instead of the United Kingdom. The rest of the data provided remains the same.

**Tonnage of the ships which are entirely managed from the EU/EAA territory is:**

$$\text{Ship C} + \text{Ship D} + \text{Ship E} + \text{Ship H} + \text{Ship I} = 16,345 + 33,450 + 45,000 + 85,000 + 67,499 = \text{€} 247,294$$

$$\text{The percentage: } (247,294/515,794) \times 100 = 47.94\%$$

**The tonnage of the ship which are NOT entirely managed by the EU/EAA::**

$$100,000+25,000+89,500+13,000+41,000 = \text{€}268,500$$

**Conclusion:** Under this particular case, the company doesn't meet the criteria of the Law. The tonnage of ships entirely managed from the EU/EAA territory is less than the 2/3 of the total tonnage.

! Tonnage which is not entirely managed from the territory of any EU/EAA Member State and which is in excess of the one third allowed by the Law and thus is not allowed for the tonnage tax system.

**How to calculate the excess tonnage tax?**

$$\sum \text{TEU} + \sum \text{TNEU} = \sum \text{TTM}$$

$$\sum \text{TEU} = \text{Net Tonnage Entire Managed from EU\&EAA territory}$$

$$\sum \text{TNEU} = \text{Net tonnage not entirely managed from EU\&EAA territory}$$

$$\sum \text{TTM} = \text{Total net tonnage under management (including in the TTS)}$$

Required by law:

$$\sum \text{TEU} > 2/3 \sum \text{TTM}$$

$$\sum \text{TNEU} < 1/3 \sum \text{TTM}$$

$$\sum \text{TNEU} < 1/2 \sum \text{TEU}$$

Excess tonnage formulae:  $\sum \text{TNEU} - 1/2 \sum \text{TEU}$

In the example operated above, the **Excess Tonnage:**  $(247,294/2) = 268,500 - 123,647 =$   
**144,853**

As the excess tonnage value is 144,853, this amount should be deducted from the TTS for the fiscal year 2012. The combination of ships could be anything decided by the manager as long as the amount of combined net tonnage is equal or higher than the excess tonnage.

**If the manager in the particular example decides to withdraw ships B, F, J, from the TTS, the data will be transformed to the following:**

**Tonnage of ships entirely managed by the by EU/EAA:**

$16,345 + 33,450 + 45,000 + 85,000 + 67,499 = 247,294$  (same as before)

**Tonnage of ships which are NOT entirely managed by EU/EAA, but remain in the TSS:**

$100,000 + 13,000 = 113,000$  – (Ships A and G)

**Total Net Tonnage of the ships which will remain in the TTS :**

$515,794 - 155,500 = 360.294$

**% of the tonnage which are entirely managed from the EU/EEA territory to the new total tonnage:**

$(247,294 / 360,294) \times 100 = 68.64\%$



## **Ownership Requirements**

**For a ship to register in Cyprus, it has to fulfill:**

- 1)** More than half (50%) of the shares of the ship must be owned by Cypriot citizens. EU/EEA citizens who are not permanent residents of the Republic of Cyprus will have to appoint an authorized representative in the island.
- 2)** The total amount of ship shares, (100%), must be owned by corporations operating with the laws of The Republic of Cyprus, as well as having their registered office under the EU/EEA Member States. In the case that this doesn't apply and the corporation is registered outside the EU/EEA, it has to be controlled by EU citizens.
- 3)** In either case, they must be surveyed by an approved classification society in Cyprus, including: ABS, PRS, LRS, KRS, RS, DNV, GL, NKK, RINA and CCS. They must have either appointed an authorized representative in Cyprus or the management of the ship must be entrusted in full to a Cypriot ship-management company in Cyprus. An authorized representative could be a Cypriot citizen or a citizen of other Member State who is resident in the Republic, or is a partnership, corporation, and branch establisher in the Republic of Cyprus.

## **3 types of registration**

### **Provisional Registration**

This type of registration relates to owners who choose to have their ship provisionally registered, where the vessel was not previously a Cyprus ship – the specific procedure allows for approximately 9 months completing the administrative formalities for permanent registration

## **Parallel Registration**

Parallel in registration as well as parallel out registration offer some very interesting opportunities for leaseback, hire purchase and finance arrangements.

**Parallel – in registration:** The deletion of the registration in the foreign register is not required. However, the foreign nationality is suspended and the foreign registry is operative only with respect to the ownership and encumbrance's status of the ship.

Mortgages are created only by the ship-owner and in accordance with the law of the country of the foreign registry in which they shall be recorded. Constitution of these mortgages is only notified to the Registrar of Cyprus Ships.

**Parallel-out registration:** The specific type of registration is possible if the ship is bareboat chartered to a foreign individual or corporation and the law of the country, of the foreign registry, allows the parallel registration of vessels of another registry, under certain conditions.

Any issue arising from the transfer of ownership and any transactions affecting mortgages on Cyprus ships registered parallel out, are exclusively governed by Cyprus legislation and no action in relation to the matters should be undertaken by the foreign country.

## **Permanent Registration**

During the permanent registration of a provisionally registered vessel, which takes around 9 months to be completed, the vessel does not need to be present in any Cyprus port during the process.

## **Registration fees**

### **For non-passenger ships**

Gross Tonnage	€/GT
0-5.000	0.170860
5.001-10.000	0.136688
>10.001	0.068344

The minimum fee : €213.58  
The maximum fee: €5,125.80

### **For passenger ships**

Gross Tonnage	€/GT
For each gross unit	0.256290

The minimum fee : €427.15



# Stephanou Audit

Audit • Tax • Assurance

## **About Stephanou Audit**

Stephanou Audit is a dynamic firm of Qualified Auditors, Certified Accountants and Business Advisors. Since its establishment, in 1984, the company has gained an enviable reputation for providing excellent advice and service to its clients.

At Stephanou Audit we put our clients first. With our business support services, we can take care of your financial and accounting operations, leaving you free to do what you do best - growing your business.

We are dedicated in helping our clients minimize their tax costs, protect their assets, develop their business and generally manage their financial affairs.

## **Our Services include:**

1. Audit & Assurance
2. Accounting and VAT services
3. Tax Consultancy
4. Corporate and Fiduciary Services
5. Incorporation of Cyprus Companies
6. Incorporation of Companies in other Jurisdictions
7. Secretarial and Administration Services
8. Business Planning & Consulting
9. Financial Advisory
10. Cyprus (EU) Citizenship Programme
11. Real Estate Consulting

Our staff is trained comprehensively in anti - money laundering and "know your client" procedures. As one would expect, confidentiality is paramount in all our dealings, and our staff is bound by law to maintain professional confidence.

Innovative thinking and practical business approach are the reasons why companies choose to work with us.

Our different clients' success stories reflect the company's expertise in a range of industry sectors, including Banking and Investment Banking, Financial Services Firms, Manufacturing Companies, Shipping Companies, Aircraft Leasing Companies and Internet Based Companies.

We are one of the leading corporate providers and we bring a depth of experience to our work and dealings with clients. Our personnel consists of certified accountants, financial advisors, tax specialists, administrators and company secretaries as well as a highly trained and knowledgeable corporate and support staff.

Currently our Company has its headquarters in Limassol and a branch office in Paphos.

Stephanou Audit is the firm you need to help you achieve your goals whether they are local, national or global."

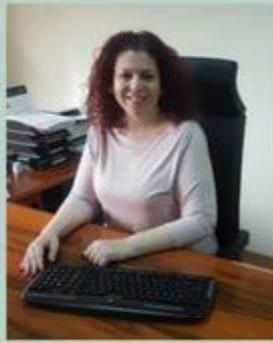
**"OUR MISSION: TO HELP OUR CLIENTS PROSPER, BY PROVIDING PERSONALIZED PROFESSIONAL SERVICES OF THE HIGHEST QUALITY"**

# MEET THE TEAM

## PEOPLE BEHIND THE BRAND



**STEPHANOS  
STEPHANOU**



**KATERINA  
STEPHANOU**



**CONSTANTINA  
STEPHANOU**



**CHARALAMBOS  
STEPHANOU**

Here, at Stephanou Audit, we strongly believe that the strength of our reputation comes from our people. The expertise, professionalism, commitment, passion and diversity of our employees are the foundations of our success. We work together to provide a holistic range of financial services.

Our team is made up of young, dynamic, experienced and committed professionals with a guaranteed common concern to deliver a high quality service.

All personnel adhere to the firm's philosophy that dictates a priority to a high degree of integrity, absolute confidentiality and loyalty to clients in whatever it does.

The firm's work methodologies are designed to deliver its services without compromise to professional standards and ethics. Personnel are specialists in their own fields and are also given ongoing training in various competences which is ultimately a benefit to all its clients.



**STEPHANOU AUDIT**

# Got any Questions?

Don't hesitate to come in contact with us!

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