

The Cyprus Tonnage Tax System



Owners

	CY Flag Vessel	EU Flag Vessel	Mixed Fleet
Qualification criteria	Qualifying vessel Qualifying activity	Qualifying vessel Qualifying activity	Qualifying vessel Qualifying activity Non Community vessels should comply with relevant international standards and Community Law requirements relating to maritime security, safety, training and certification of seafarers, environmental performance and on board working conditions.
Applicable tax regime	Tonnage tax with no election option	Corporation tax with election for tonnage tax	Corporation tax with election for tonnage tax
Election criteria and conditions to be fulfilled to remain in the tonnage tax system (in addition to qualification criteria above)	N/A	No criteria need to be fulfilled	At least 60% of the fleet in terms of tonnage should be Community ships. If Community ships less than 60% – a share of the fleet should comprise of Community ships – the Community share should remain unchanged or increase within a period of 3 years from the election date – the commercial and strategic management of the fleet must be carried out from the EU/EEA. If Community share has decreased may remain in the system if Cyprus' Community flag share has not decreased, but tonnage tax for all non Community flag vessels will increase by 10%
Period they have to stay in the tonnage tax system	N/A	10 Years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.	10 Years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.
Tonnage tax rates for every 100 units of net tonnage	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30
Additional tonnage tax for Paris MOU Gray and Black Lists	N/A	Gray list increase by 30% Black List increase by 60%	Gray list increase by 30% Black List increase by 60%
Income liable to tonnage tax and exempt from corporation tax/defence contribution	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Profits from disposal of a qualifying ship and/or the shares of a shipowing company. Dividends paid directly or indirectly out of shipping profits including profit from disposal of ships. Interest on funds used as working capital or for the financing/operation/ maintenance of a qualifying ship	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Profits from disposal of a qualifying ship and/or the shares of a shipowing company. Dividends paid directly or indirectly out of shipping profits including profit from disposal of ships. Interest on funds used as working capital or for the financing/operation/ maintenance of a qualifying ship	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Profits from disposal of a qualifying ship and/or the shares of a shipowing company. Dividends paid directly or indirectly out of shipping profits including profit from disposal of ships. Interest on funds used as working capital or for the financing/operation/ maintenance of a qualifying ship

Managers

	Crewing	Technical	Crewing & Technical
Qualification criteria	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying services</p> <p>Fully fledged office in Cyprus</p> <p>At least 51% of the persons employed ashore must be citizens of the EU.</p> <p>All the ships and crews under management must comply with relevant international standards and Community Law requirements relating to maritime security, safety, training and certification of seafarers, environmental performance and on board working conditions</p>	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying services</p> <p>Fully fledged office in Cyprus</p> <p>At least 51% of the persons employed ashore must be citizens of the EU.</p> <p>All the ships under management must comply with relevant international standards and Community Law requirements relating to maritime security, safety, training and certification of seafarers, environmental performance and on board working conditions</p>	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying services</p> <p>Fully fledged office in Cyprus</p> <p>At least 51% of the persons employed ashore must be citizens of the EU.</p> <p>All the ships and crews under management must comply with relevant international standards and Community Law requirements relating to maritime security, safety, training and certification of seafarers, environmental performance and on board working conditions</p>
Qualified services	<ul style="list-style-type: none"> – Selecting and engaging the ship’s crew including payroll arrangements and insurance for the crew. – 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. – 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 – Arranging for transportation of the crew – Training of the crew and supervising their efficiency – Other relevant functions usually performed by shipmanagers under the BIMCO standard shipmanagement agreement 	<ul style="list-style-type: none"> – Providing competent personnel to supervise the maintenance and general efficiency of the ship – 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 – Arranging the supply of necessary stores, spares and lubricating oil. – Other relevant functions performed by shipmanagers under the BIMCO standard shipmanagement agreement 	Refer to crewing and technical columns
Applicable tax regime	Corporation tax with election for tonnage tax	Corporation tax with election for tonnage tax	Corporation tax with election for tonnage tax
Election criteria and conditions to be fulfilled to remain in the tonnage tax system (in addition to qualification criteria above)	<ul style="list-style-type: none"> – Employ at least 5 persons including one skilled crew manager if managing up to 10 ships and at least 10 persons including two skilled crew managers if managing more than 10 ships – 2/3 of the total ships under management must be managed from within EU – At least 60% of the fleet managed in terms of tonnage should be Community ships <p>If Community ships less than 60%</p> <ul style="list-style-type: none"> • a share of the fleet should comprise of Community ships • the Community share should remain unchanged or increase within a period of three years from the election date 	<ul style="list-style-type: none"> – Employ at least 5 persons including one qualified marine engineer if managing up to 10 ships and at least 10 persons including two qualified marine engineers if managing more than 10 ships – 2/3 of the total ships under management must be managed from within EU – At least 60% of the fleet managed in terms of tonnage should be Community ships <p>If Community ships less than 60%</p> <ul style="list-style-type: none"> • a share of the fleet should comprise of Community ships • the Community share should remain unchanged or increase within a period of three years from the election date 	<ul style="list-style-type: none"> – Employ at least 5 persons including one qualified marine engineer and one skilled crew manager if managing up to 10 ships and at least 10 persons including two qualified marine engineers and one skilled crew manager if managing more than 10 ships – 2/3 of the total ships under management must be managed from within EU – At least 60% of the fleet managed in terms of tonnage should be Community ships <p>If Community ships less than 60%</p> <ul style="list-style-type: none"> • a share of the fleet should comprise of Community ships • the Community share should remain unchanged or increase within a period of three years from the election date

	Crewing	Technical	Crewing & Technical																														
	<p>If Community share has decreased may remain in the system if Cyprus' Community share has not decreased, but tonnage tax for all non Community flag vessels will increase by 10%.</p> <ul style="list-style-type: none"> – Must ensure implementation of the Maritime Labour Convention concerning seafarers employment agreements, compensation in the case of ships loss or foundering, provision of medical care, shipowner's liability including payment of wages in case of accident or sickness and repatriation for all ships under management. – In case the owner's liability to cover claims of contractual compensations for death or long term disability of seafarers due to occupational injury, illness or hazard is not secured by the shipowner the manager has to provide it. – Ensure that the international standards regarding hours of work and hours of rest are fully complied with. – Conclude appropriate private contractual arrangements with the shipowner and reflect those in the seafarers' employment contracts expressly providing for compliance with the obligation mentioned above. – Submit at the beginning of each year a written declaration to the Director of the Merchant Shipping Department confirming that the contractual arrangements as described above have been concluded or will be concluded for all ships under management. 	<p>If Community share has decreased may remain in the system if Cyprus' Community share has not decreased, but tonnage tax for all non Community flag vessels will increase by 10%.</p> <ul style="list-style-type: none"> – Must be certified under the ISM Code by the competent authority of the flag of the States of the ships under management. – Must be mentioned as the management company on the relevant safety Management Certificates of the ships under management 	<p>If Community share has decreased may remain in the system if Cyprus' Community share has not decreased, but tonnage tax for all non Community flag vessels will increase by 10%.</p> <ul style="list-style-type: none"> – Must ensure implementation of the Maritime Labour Convention concerning seafarers employment agreements, compensation in the case of ships loss or foundering, provision of medical care shipowner's liability including payment of wages in case of accident or sickness and repatriation for all ships under management. – In case the owner's liability to cover claims of contractual compensations for death or long term disability of seafarers due to occupational injury, illness or hazard is not secured by the shipowner the manager has to provide it. – Ensure that the international standards regarding hours of work and hours of rest are fully complied with. – Conclude appropriate private contractual arrangements with the shipowner and reflect those in the seafarers' employment contracts expressly providing for compliance with the obligation mentioned above. – Submit at the beginning of each year a written declaration to the Director of the Merchant Shipping Department confirming that the contractual arrangements as described above have been concluded or will be concluded for all ships under management. – Must be certified under the ISM Code by the competent authority of the flag of the States of the ships under management. – Must be mentioned as the management company on the relevant safety Management Certificates of the ships under management 																														
Period they have to stay in the tonnage tax system	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.																														
Tonnage tax rates for every 400 units of net tonnage	<table border="1"> <tr><td>0 – 1000</td><td>€36.50</td></tr> <tr><td>1001 – 10000</td><td>€31.03</td></tr> <tr><td>10001 – 25000</td><td>€20.08</td></tr> <tr><td>25001 – 40000</td><td>€12.78</td></tr> <tr><td>40001 +</td><td>€7.30</td></tr> </table>	0 – 1000	€36.50	1001 – 10000	€31.03	10001 – 25000	€20.08	25001 – 40000	€12.78	40001 +	€7.30	<table border="1"> <tr><td>0 – 1000</td><td>€36.50</td></tr> <tr><td>1001 – 10000</td><td>€31.03</td></tr> <tr><td>10001 – 25000</td><td>€20.08</td></tr> <tr><td>25001 – 40000</td><td>€12.78</td></tr> <tr><td>40001 +</td><td>€7.30</td></tr> </table>	0 – 1000	€36.50	1001 – 10000	€31.03	10001 – 25000	€20.08	25001 – 40000	€12.78	40001 +	€7.30	<table border="1"> <tr><td>0 – 1000</td><td>€36.50</td></tr> <tr><td>1001 – 10000</td><td>€31.03</td></tr> <tr><td>10001 – 25000</td><td>€20.08</td></tr> <tr><td>25001 – 40000</td><td>€12.78</td></tr> <tr><td>40001 +</td><td>€7.30</td></tr> </table>	0 – 1000	€36.50	1001 – 10000	€31.03	10001 – 25000	€20.08	25001 – 40000	€12.78	40001 +	€7.30
0 – 1000	€36.50																																
1001 – 10000	€31.03																																
10001 – 25000	€20.08																																
25001 – 40000	€12.78																																
40001 +	€7.30																																
0 – 1000	€36.50																																
1001 – 10000	€31.03																																
10001 – 25000	€20.08																																
25001 – 40000	€12.78																																
40001 +	€7.30																																
0 – 1000	€36.50																																
1001 – 10000	€31.03																																
10001 – 25000	€20.08																																
25001 – 40000	€12.78																																
40001 +	€7.30																																
Additional tonnage tax for Paris MOU Gray and Black Lists	Gray List increase by 30% Black List increase by 60%	Gray List increase by 30% Black List increase by 60%	Gray List increase by 30% Black List increase by 60%																														
Income liable to tonnage tax and exempt from corporation tax/defence contribution	<p>Profits from rendering crewing shipmanagement services to any qualifying ship.</p> <p>Dividend paid directly or indirectly out of the rendering of crewing shipmanagement services.</p> <p>Interest on funds used as working capital or for the payment of expenses relevant to the management of the ships</p>	<p>Profits from rendering technical shipmanagement services to any qualifying ship.</p> <p>Dividend paid directly or indirectly out of the rendering of technical shipmanagement services.</p> <p>Interest on funds used as working capital or for the payment of expenses relevant to the management of the ships</p>	<p>Profits from rendering crewing and/or technical shipmanagement services to any qualifying ship.</p> <p>Dividend paid directly or indirectly out of the rendering of crewing and/or technical shipmanagement services.</p> <p>Interest on funds used as working capital or for the payment of expenses relevant to the management of the ships</p>																														

Charterers

	CY Flag Vessel	EU Flag Vessel	Mixed Fleet
Qualification criteria	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying activity</p>	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying activity</p>	<p>Legal person</p> <p>Qualifying vessel</p> <p>Qualifying activity</p> <p>Non Community vessels should comply with relevant international standards and Community Law requirements relating to maritime security, safety, training and certification of seafarers, environmental performance and on board working conditions</p>
Applicable tax regime	Corporation tax with election for tonnage tax	Corporation tax with election for tonnage tax	Corporation tax with election for tonnage tax
Election criteria and conditions to be fulfilled to remain in the tonnage tax system (in addition to qualification criteria above).	<p>The total net tonnage of ships chartered under time charter or voyage charter or on a contract of affreightment may not exceed for more than 3 consecutive periods 75% of the total net tonnage of all ships chartered (including bareboat charter) and owned.</p> <p>The total net tonnage of ships chartered under time or voyage charter or on a contract of affreightment may be higher than 75% but may not exceed for more than 3 consecutive periods 90% of the total net tonnage of all ships chartered (including bareboat charter) and owned provided that every ship chartered</p> <ul style="list-style-type: none"> – is registered in the Register of a EU Member State or – its crew and technical management is carried out from the territory of a Member State 	<p>The total net tonnage of ships chartered under time charter or voyage charter or on a contract of affreightment may not exceed for more than 3 consecutive periods 75% of the total net tonnage of all ships chartered (including bareboat charter) and owned.</p> <p>The total net tonnage of ships chartered under time or voyage charter or on a contract of affreightment may be higher than 75% but may not exceed for more than 3 consecutive periods 90% of the total net tonnage of all ships chartered (including bareboat charter) and owned provided that every ship chartered</p> <ul style="list-style-type: none"> – is registered in the Register of a EU Member State or – its crew and technical management is carried out from the territory of a Member State 	<p>At least 60% of the fleet in terms of tonnage should be Community ships.</p> <p>If Community ships less than 60%</p> <ul style="list-style-type: none"> – a share of the fleet should comprise of Community ships – the Community share should remain unchanged or increase within a period of 3 years from the election date <p>If Community share has decreased may remain in the system if Cyprus' Community flag share has not decreased, but tonnage tax for all non Community flag vessels will increase by 10%</p> <p>The total net tonnage of ships chartered under time charter or voyage charter or on a contract of affreightment may not exceed for more than 3 consecutive periods 75% of the total net tonnage of all ships chartered (including bareboat charter) and owned.</p> <p>The total net tonnage of ships chartered under time or voyage charter or on a contract of affreightment may be higher than 75% but may not exceed for more than 3 consecutive periods 90% of the total net tonnage of all ships chartered (including bareboat charter) and owned provided that every ship chartered</p> <ul style="list-style-type: none"> – is registered in the Register of a EU Member State or – its crew and technical management is carried out from the territory of a Member State

	CY Flag Vessel	EU Flag Vessel	Mixed Fleet
Period they have to stay in the tonnage tax system	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.	10 years In case of withdrawal a penalty equal to the difference between the amount paid during the period under tonnage tax system and the amount that would have been paid if had been subject to corporation tax is payable.
Tonnage tax rates for every 100 units of net tonnage	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30	0 – 1000 €36.50 1001 – 10000 €31.03 10001 – 25000 €20.08 25001 – 40000 €12.78 40001 + €7.30
Additional tonnage tax for Paris MOU Gray and Black Lists	N/A	Gray list increase by 30% Black List increase by 60%	Gray list increase by 30% Black List increase by 60%
Income liable to tonnage tax and exempt from corporation tax/defence contribution	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Dividends paid directly or indirectly out of shipping profits. Interest on funds used as working capital or for the payment of expenses arising out of the charter party	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Dividends paid directly or indirectly out of shipping profits. Interest on funds used as working capital or for the payment of expenses arising out of the charter party	Profits from exploitation of a qualifying ship in a qualifying shipping activity. Dividends paid directly or indirectly out of shipping profits. Interest on funds used as working capital or for the payment of expenses arising out of the charter party

Contacts

For more information you may contact:

Antonis Taliotis

Partner, Tax Services
E-mail: ataliotis@deloitte.com
Tel: +357 25 868686

Other Deloitte shipping specialists:

Audit & Accounting

Costas Georghadjis
Partner, Audit Services Leader
E-mail: cgeorghadjis@deloitte.com

Clients & Markets

Nicos Charalambous
Partner, Clients & Markets Leader
E-mail: ncharalambous@deloitte.com

Financial Advisory

Nicos S. Kyriakides
Partner, Financial Advisory Services Leader
E-mail: nkyriakides@deloitte.com

George Martides

Partner, Financial Advisory Services
E-mail: gmartides@deloitte.com

Consulting

George Pantelides
Partner, Consulting Services Leader
E-mail: gpantelides@deloitte.com

Risk

Panicos Papamichael
Partner, Risk Services Leader
E-mail: ppapamichael@deloitte.com

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte Limited is the Cyprus member firm of D TTL. Deloitte Cyprus is among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through over 550 people in Nicosia, Limassol and Larnaca. For more information, please visit the Cyprus firm's website at www.deloitte.com/cy.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 210,000 professionals are committed to becoming the standard of excellence.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte Limited is a private company registered in Cyprus (Reg. No. 162812). Offices: Nicosia, Limassol, Larnaca.

© 2015 Deloitte Limited.