

## KEY FACTS

### MARITIME SERVICES

CYPRUS HAS A CENTURIES OLD MARITIME TRADITION. TODAY THE NUMBER OF VESSELS ON THE CYPRUS SHIPPING REGISTRY PUTS IT IN THE TOP TEN FLEETS WORLDWIDE, ACCOUNTING FOR ABOUT 25% OF THE EU FLEET. CYPRUS IS ALSO ONE OF THE LEADING CENTRES FOR THE ESTABLISHMENT OF THIRD-PARTY SHIP MANAGEMENT COMPANIES.

#### ADVANTAGES OF CYPRUS

- > Member of the European Union
- > Strategic location at the crossroads of three continents
- > Modern and efficient legal, accounting and banking services based on English practices; liberal Foreign Direct Investment regime allowing up to 100% foreign participation in most sectors of the economy
- > No exchange control and freedom of movement of foreign currency
- > Double tax treaties with more than 40 countries
- > No tax on profits from the operation or management of a Cypriot registered vessel or on dividends received from a ship-owning company
- > No capital gains tax on the sale or transfer of a Cypriot registered vessel or the shares of a ship-owning company
- > No estate duty on the inheritance of shares in a ship-owning company
- > No income tax on the emoluments of officers and crew
- > No stamp duty on ship mortgage deeds or other security documents
- > Signatory to numerous international maritime conventions
- > Bilateral agreements with 27 countries, through which Cypriot ships receive either national or favoured nation treatment in the ports of other countries; competitive ship registration costs and annual tonnage taxes; full protection for financiers and mortgagees
- > Favourable tax regime for ship management
- > Low set-up and operating costs for companies
- > Excellent telecommunications and easy access by air and sea
- > Highly qualified managerial, clerical and technical staff available

#### SHIPPING COMPANIES & REGISTRATION OF SHIPS

- > Cyprus's merchant shipping legislation allows for the provisional registration of a vessel (in case the vessel concerned has not been previously a Cyprus ship) and most owners usually opt to have their ship provisionally registered. This will allow them time (up to nine months) during which they will be able to complete the administrative formalities for the permanent registration.
- > Practice and custom have created a special type of Cyprus ship owning company which is limited by shares and has a nominal capital, usually €1,000 divided into 1000 shares of €1 each.

#### CYPRUS YACHT FINANCE LEASING VAT SCHEME

Cyprus's leasing scheme for yachts provides prospective pleasure yacht owners the opportunity to reduce their VAT liability.

Under the scheme, the leasing of a pleasure yacht by a Cyprus company ('the Lessor') to a third party ('the Lessee'), whether an individual or company on 'an arm's length basis', may be subject to reduced rates of VAT, even though the yacht is used within EU waters. At the end of the term of the lease, the Lessee may buy the yacht from the Lessor at a discount on the original price.

Conditions to be met under the scheme:

- > A lease agreement is concluded between a Cyprus company and an individual or legal person (regardless of place of residence or incorporation).
- > The yacht arrives in Cyprus within one month from the date of inception of the lease agreement. Any extension of such time may granted only by the VAT Commissioner. Such extension shall not exceed the time at which the option to purchase the yacht is exercised.
- > An initial payment amounting to at least 40% of the value of the yacht must be paid by the lessee to the lessor at the inception of the lease agreement including the corresponding VAT amount.
- > The lease payments are payable on a monthly basis, and the lease period must not be less than 91 days or not exceed a period of 48 months.
- > The lessor is expected to make a total profit from the leasing agreement of at least 5% on the initial value of the yacht.
- > The prior approval of the VAT Commissioner needs to be obtained for the application of the Scheme in each particular case. Such approval will cover the acceptability of the initial value of the yacht, and the applicable percentage of use within EU territorial seas on the basis of which VAT will be applied. The application to the VAT Commissioner must be accompanied with all supporting documents relating to the purchase price and/or value of the yacht, and a copy of the lease agreement.
- > The VAT Commissioner has the right to reject any application or to request further information regarding the use of the yacht.
- > Any profit made by the lessor under the leasing scheme will be subject to tax at the normal income tax rates of 12.5%.

The applicable VAT rates are the following based on the pre-determined percentages of the period of time a yacht is used in and out of EU territorial seas:

#### Motorised Yachts

LENGTH OF YACHT	PERCENTAGE OF USE WITHIN EU WATERS	EFFECTIVE VAT RATE
OVER 65 METRES	10%	3,05%
BETWEEN 45,01 AND 65 METRES	15%	4,02%
BETWEEN 24,01 AND 45 METRES	20%	5%
BETWEEN 14,01 AND 24 METRES	30%	6,94%
BETWEEN 8,01 AND 14 METRES	50%	10,84%
UP TO 8 METRES	60%	12,79%

## Sailing Yachts

LENGTH OF YACHT	PERCENTAGE OF USE WITHIN EU WATERS	EFFECTIVE VAT RATE
OVER 65 METRES	10%	3,05%
BETWEEN 45,01 AND 65 METRES	15%	4,02%
BETWEEN 24,01 AND 45 METRES	20%	5%
BETWEEN 20,01 AND 24 METRES	30%	6,94%
BETWEEN 10,01 AND 20 METRES	50%	10,84%
UP TO 10 METRES	60%	12,79%

## HOW WE CAN HELP

Trident Trust Company (Cyprus) Ltd can assist with:

- > The registration of the vessel- & yacht-owning company as well as vessel & yacht registration under the Cyprus flag
- > Establishment of Cyprus yacht leasing scheme structures
- > Transfer of ownership of vessels & yachts
- > Other vessel- & yacht-related transactions
- > Renewal of required licences and certificates
- > Handling transactions involving:
  - > newbuilding contracts
  - > sale and purchase of vessels and yachts
- > By preparing and/or reviewing the pertinent documentation, representing clients at meetings and carrying out related procedures at the Cyprus Shipping Registry
- > Assisting clients with renewals of Annual Radio Licences and (where applicable) Yellow Cards
- > Assisting clients with the renewal of Statutory Certificates pursuant to the provisions of International Maritime Conventions

- ▶ PEOPLE LED
- ▶ TECH ENABLED
- ▶ GLOBAL COVERAGE
- ▶ TAILORED SERVICE

- ▶ 1,100 STAFF
- ▶ 25 JURISDICTIONS
- ▶ 47,000 ENTITIES
- ▶ \$177BN AUA

- ▶ FUNDS
- ▶ PRIVATE CLIENTS
- ▶ CORPORATE CLIENTS
- ▶ MARITIME

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