

Information Sheet No. 20

Shipping Highlights in Cyprus

Introduction

The administration of the Register of Cyprus Ships is governed by the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws, 1963 to 2005 which are based on the British Merchant Shipping Acts, 1894 to 1954. The Merchant Shipping (Masters and Seamen) Laws, 1963 to 2002 and the Merchant Shipping (Fees and Taxing Provisions) Laws, 1992 to 2007 are the other principal merchant shipping laws.

The Department of Merchant Shipping is responsible for the development of maritime activities which include: Registration of ships, administration of the Merchant Shipping Laws, control of shipping and enforcement of international conventions, investigation of casualties, resolving labour disputes on board Cypriot ships and training and certification of seafarers.

The Cyprus Registry has shown phenomenal growth in recent years. The island is now ranked as the 10th largest merchant fleet globally and the 3rd largest fleet within the EU with a merchant fleet exceeding 22 million gross tons and more than 1850 registered ships.

Furthermore, Cyprus is considered to be the largest third-party shipmanagement centre in the EU and one of the largest worldwide.

Cyprus has come a long way since 1960, when it became an independent state, to be considered now as an international maritime centre, a clear indication of the excellent services and facilities Cyprus offers to the shipping industry. For the past three years Cyprus flag is on the third place on the catalogue of the Shipping Industry and is moving straight to the international "white list" of Shipping.

The policy of the Government of Cyprus in the shipping sector is the continuous improvement of the existing infrastructure and the incentives available to both residents and non-residents.

Conventions and Agreements

Cyprus has ratified the major international conventions on maritime safety, prevention of pollution of the sea, training, certification and watchkeeping of seafarers and limitation of shipowners' civil liability in case of oil pollution damage and conventions on maritime labour law. Cyprus is also a party to the Convention on the High Seas, 1958 and the United Nations Convention on the Law of the Sea, 1982.

Cyprus has also concluded a number of bilateral Double Tax Treaty agreements and special agreements on co-operation in the field of merchant shipping, inter alia, fiscal advantages and incentives for effective tax planning and advantages in the engagement of foreign seafarers onboard Cypriot ships.

Cyprus has shown itself as an ideal center for the establishment of legal entities by foreign ship owners and other professionals for various shipping activities and for rendering of shipping services worldwide.



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The advantages of having such a legal entity are:

- No income tax is payable on the profits earned or dividends paid by a Cyprus Shipping Company which owns ships under the Cyprus flag and operates in international waters, or on the salaries of officers and crews on such ships.
- Ship managers have the option to use Tonnage Tax or Corporation Tax for their commercial management needs. If Corporation Tax is chosen, commercial management is taxable at a flat rate of 10 percent. If Tonnage Tax is chosen, commercial management is taxable at predefined Tonnage Tax rate. This position will remain unchanged at least until the year 2020.

Other aspects that make Cyprus and Cyprus Shipping Companies attractive are:

1. Double Tax Treaties with 44 countries
2. No tax on profits from the operation or management of a Cypriot registered vessel or on dividends received from a shipowning company
3. No capital gains tax on the sale or transfer of a Cyprus registered vessel or the shares of a shipowning company
4. No estate duty on the inheritance of shares in a shipowning company
5. No income tax on the emoluments of officers and crew
6. No stamp duty on ship mortgage deeds or other security documents
7. Signatory to numerous international maritime conventions
8. Extensive network of bilateral agreements through which Cyprus ships receive either national or favoured nation treatment in the ports of other countries
9. Competitive ship registration costs and annual tonnage tax
10. Full protection for financiers and mortgagees
11. Favourable tax regime for ship management companies and other offshore enterprises
12. Low set up and operating costs
13. Excellent telecommunications and easy access by air and by sea
14. Highly qualified managerial, clerical and technical staff

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. P.G. Economides & Co Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.

June 2014

