

Cyprus shipping: A sea of opportunities



The Cyprus Shipping Registry is one of the largest in the EU (it is estimated to constitute 25% of the whole EU “fleet”) and the 11th largest worldwide. Moreover, Cyprus is the biggest third party ship management centre in the EU and the Cyprus flag is on the white list of Paris MoU.



Why choose Cyprus?

The European Commission (EC) approved the extension of the Tonnage Tax (TT) system and Seafarer scheme applicable to the shipping industry in Cyprus for 10 years starting from 1 January 2020. With the new TT system, Cyprus retains its global position as a leading shipping and ship management centre within the EU since it continues to have the most modern, competitive, flexible, fully approved Tonnage Tax system in the EU, combined with an excellent infrastructure and an extremely competitive tax system with the lowest corporate tax rate in the EU.




- Stable environment, consistent government policy, supportive tax office
- TT system provides for TT on net tonnage of the vessels and full exemption from corporate income tax (CIT) on actual profits
- Incentives, such as up to 30% lower TT, are provided for environmentally friendly vessels.
- Totally exempt companies are regulated completely by the Deputy Ministry of Shipping rather than the Tax Authorities
- Applies to owners, charterers and shipmanagers of mixed fleets (EU/EEA and non EU/EEA) Bareboat charter out agreements remain eligible for tonnage tax, with restrictions introduced for bareboat charter agreements to third parties (with grandfathering provisions to apply for existing contracts that are captured by these restrictions)
- Grants total tax exemption of profits tax and capital gains and distribution tax at all levels:
 - profits from the use of a qualifying vessel,
 - profits from the disposal of a qualifying vessel and/or share and/or interest in it,
 - profits from technical and/or crew management,
 - dividends paid out of the above profits at all levels of distribution,
 - profits/dividends from the disposal of shares in a shipowning company,
 - interest income relating to the financing/maintenance/use of a qualifying vessel, interest derived in the course of qualifying activity, excluding interest on capital used for investments
 - remuneration of crew on board of a Cyprus and/or EU/EEA flagged vessel
- Allows mixed activities (shipping subject to TT and other subject to CIT) within a company/group
- Supports an open registry
- Allows split shipmanagement activities (crewing or technical)
- Non TT qualifying income* is only taxed at 12,5% CIT with other benefits including but not limited to:
 - participation exemption of dividends, capital gains and profits from foreign permanent establishments
 - zero withholding tax on the repatriation of income either in the form of dividends, interest and on almost all royalties
 - notional interest deduction on new equity introduced as from 1 January 2015, can reduce the effective tax rate as low as 2,5%
 - extensive double tax treaties network
 - access to EU Directives
 - tax neutral reorganisations for both EU and non EU group companies

**For more information on taxation of other sources of income, please refer to our publication “Cyprus Tax Facts and Figures” which is updated annually and can be found on our website.*



The TT regime

The regime covers **qualifying persons** performing qualifying activities in relation to **qualifying vessels**.

 Qualifying person	 Qualifying activity	 Qualifying vessel
Shipowners & Charterers	Maritime transport of goods or people between Cyprus ports and foreign ports/ offshore installations, or between foreign ports or offshore installations and specifically includes towage, dredging and cable laying. Ancillary services fall under the TT regime, provided that this income does not exceed 50% of the total income generated from Maritime Transport Activities.	Sea-going vessel: certified in line with international principles and legislation of the flag country, and registered in the register of a member country of the IMO and ILO. A list of qualifying vessels is now introduced, which includes non vanilla transportation vessels.
Shipmanagers	Technical and/or crew management for qualified shipowners/charterers	

Flag requirement

- Cyprus flag vessels (TT compulsory)
- EU/European Economic Area (EEA) flag vessels (TT optional)
- Fleet of EU/EEA and non EU/EEA vessels (TT optional)

Where a Cyprus tax resident company exercises the option to enter the TT system, the option must remain in force for at least 10 years.

How PwC can help

PwC is strategically positioned to understand the kind of changes that have and will profoundly affect the marketplace over the next few years.

We are also uniquely qualified to help you deal or prepare for these changes through our:

- long and extensive expertise in the shipping industry
- clear market leadership position in Cyprus
- close cooperation with the PwC network across the globe.

Taking advantage of the opportunities offered by the Cyprus shipping legislation, does not necessarily entail complex group restructurings and transfers of mortgaged vessels that are difficult to implement. There are ways of achieving substantial tax savings such as changing the flag of vessels, redomiciliation/ change of residence of existing companies, or amendment of the existing operations, that are easier and quicker to implement.

The opportunities are there, and we can help you capitalising them. Just give us the opportunity to show you how. We are passionate about our work!

We can help with the provision of services from our industry specialists in the following areas:

- Tax planning, structuring and restructuring (legal, finance and operational structure)
- Registration of shipping companies (shipowning, chartering or shipmanagement)
- Registration of holding and/or finance companies
- Ship registrations, deletions, transfers and mortgages
- Maintenance and full compliance services of Cyprus registered companies
- Audit and assurance related services (IFRS technical advice)
- Floatation/IPO of shipping groups
- Operations and quality management for obtaining ISO 9000 certification
- Human resource advisory including full repatriation service for expatriates
- Payroll services and accounting outsourcing
- Business advisory services (corporate finance, valuations, mergers & acquisitions, Due Diligence, loan restructuring)
- Cyber security and privacy (including GDPR)
- Shipping Funds
- Administration of Funds

Annual tonnage tax cost		
	Shipowners & charterers	Shipmanagers
Units of net tonnage	€ TT per 100 units	€ TT per 400 units
0-1.000	36,50	36,50
1.001-10.000	31,03	31,03
10.001-25.000	20,08	20,08
25.001-40.000	12,78	12,78
>40.000	7,30	7,30

Additional requirements

Shipmanagers

- Maintain a fully fledged office in Cyprus with personnel sufficient in number and qualification
- At least 51% of all onshore personnel must be EU/EEA citizens.
- At least 2/3 of the total tonnage under management must be managed within the EU/EEA (any excess of 1/3 taxed under 10% corporation tax)

Charterers

Composition requirement: at least 25% / 10% of the net tonnage of vessels subject to tonnage tax are owned or are bareboat chartered. The percentage can be reduced but not for more than 3 consecutive years.

Your shipping contacts in Cyprus:



Cleo A Papadopoulou
Partner
In charge of Transportation & Logistics
cleo.papadopoulou@pwc.com
T: + 357 - 25 555 230



Yiangos Kaponides
Partner
Head of Assurance
yiangos.kaponides@pwc.com
T: + 357 - 25 555 209

PricewaterhouseCoopers Ltd
Limassol
City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus