



# Shipping Deputy Ministry announces Green Incentives and Administrative Penalties for non-compliance

11 February 2021

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## In brief

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Following up on our previous newsletters dated 16 April 2020 and 7 May 2020 regarding the approval from the European Commission ('EC') for the extension of the Cypriot tonnage tax system until the 31 December 2029, the Shipping Deputy Ministry ('SDM') has issued a Notification (Directions of Shipping Deputy Minister for imposition of Tonnage Tax Administrative Fines (P.I. 559/2020) in December 2020, defining the administrative fines to be imposed for non-compliance in accordance with the Merchant Shipping Legislation ('MSL').

In addition to the above Notification, on 19 January 2021 the SDM has issued an announcement (Tonnage tax reductions of up to 30% with new Cyprus green incentives programme) providing a new range of green incentives in order to reward owners of Cyprus and Community flag vessels that demonstrate effective emissions reductions (as these are already defined in the new MSL), providing clarifications on the various criteria that need to be fulfilled in order for these to be applicable. These incentives will be effective as from fiscal year 2021, and the annual tonnage tax ('TT') can be reduced by up to 30% for each vessel that fulfils the set criteria.

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## In Detail

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### A. Notification (Directions of Shipping Deputy Minister for imposition of Tonnage Tax Administrative Fines (P.I. 559/2020))

The Notification set the penalties that are applicable in cases of non-compliance with certain requirements of the MSL. It provides a list of these cases along with a brief description, separating them into four different sections as follows:

- Section I: Owners of foreign ships
- Section II: Charterers
  - Bareboat charterers
  - Charterers under Time Charter or Voyage Charter or Contract of affreightment
- Section III: Ship managers
  - Technical Managers
  - Crew Managers
- Section IV: Various

Under the last section, the Notification set the various penalties that will be imposed from the late submission of the relevant tonnage tax declarations. More specifically:

Late submission of a tonnage tax declaration	Administrative Fine (Euro)
up to 6 months:	2.000
over 6 months and up to 12 months	4.000
over 12 months	8.500

### B. Tonnage tax reductions of up to 30% with new Cyprus green incentives programme

The MSL provides for a reduction of the annual TT liability of up to 30% for owners of Cyprus and Community flagged vessels that uses mechanisms for the environmental preservation of the maritime environment and the reduction of the effects of climate change.

With the above announcement the SDM sets the relevant eligibility criteria and the level of the respective reduction applicable on each case.

The incentives are divided into the following three categories:

#### Category 1: Energy Efficiency Design Index ('EEDI')

Vessels that have achieved further reduction of their attained EEDI compared to the required EEDI (in accordance with the Regulation 20 / MARPOL ANNEX VI) will obtain a deduction on their annual TT between 5% - 25% as follows:

Attained EEDI percentage or reduction in comparison to the required EEDI	Percentage of annual TT reduction (%)
>10	5
>15	10
>20	20
>30	25

### Category 2: IMO Date Collection System ('IMO DCM')

The environmental incentive relating to the IMO Data Collection System (DCS) applies to vessels of 5,000 GT and above that comply with Regulation 22A of MARPOL ANNEX VI. Vessels which demonstrate a reduction of the total fuel oil consumption in relation to the distance travelled, compared to the immediately previous reporting period will obtain a reduction on their annual tonnage tax between 10% – 20% as follows:

Percentage of reduction between two consecutive reporting period	Percentage of annual TT reduction (%)
from 2 up to 4 %	10
up to 6 %	15
greater than 6 %	20

### Category 3: Use of Alternative fuels

Vessels using an alternative fuel and achieving CO2 emissions reductions of at least 20%, in comparison with traditional fuels, will receive a reduction on annual TT of between 15% – 30% as follows:

Type of alternative fuel	Percentage of annual TT reduction (%)
Bio-Fuels, Methanol, Electric, Other achieving reduction of CO2 emissions of at least 20% in comparison to a similar vessel which consumes fossil fuels	15
Bio-Fuels, Methanol, Electric, Other achieving reduction of CO2 emissions of at least 30% in comparison to a similar vessel which consumes fossil fuels	30

The above incentives are cumulative and thus each vessel can only obtain a maximum of 30% reduction on its annual TT liability.

Any vessel that has been identified to violate any regulation of the EC related to the environmental protection or is in laid-up during the calendar year will not be eligible for the incentive.

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### The takeaway

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The announcement issued by the SDM serves as a valuable input which aids to enhance further and encourage the environmental sustainability in shipping industry within the EU.

Furthermore, owners who fulfil the criteria set can enjoy a 'discount' on their annual TT liability (on the already existed low TT rates).

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## Let's talk

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For a deeper discussion of how this development might affect your business, please contact:

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