



Ship management companies in Cyprus: an option worth considering

It is no accident that Cyprus is a well-known and respected ship management centre. The reasons for Cyprus's success are the numerous competitive advantages and opportunities of the Cypriot Merchant Shipping Legislation, and especially the even more advantageous tax regime. These coupled with a strategic geographic location have been instrumental in the remarkable growth of the Cyprus Shipping Registry.

Such advantages and opportunities include the following:

- ❖ Favourable tonnage tax system based on net tonnage or 12.5% corporation tax
- ❖ No taxation on profits from the technical and/or crew management of a qualifying vessel (Cyprus/ EU/EEA) or on dividends or on interest income
- ❖ Split of ship management activities (crewing and technical)
- ❖ Extensive double tax treaties network
- ❖ EU flag benefit, Cyprus Flag white listed
- ❖ Open registry, low ship registration cost, permanent & provisional registration

Any foreign ship management company can take advantage of the Cypriot shipping regime by migrating to Cyprus. The procedure is very straightforward and this can be achieved by either establishing a new company or by transferring its seat to Cyprus.

There is much interest over the favourable annual Tonnage Tax (TT) rates calculated on the Net Tonnage (NT) of the vessels, which for qualifying ship managers, read as follows:

| Net tonnage | Tonnage tax |
|---------------|-------------------|
| 0-1.000 | €36,50 per 400 NT |
| 1.001-10.000 | €31,03 per 400 NT |
| 10.001-25.000 | €20,08 per 400 NT |
| 25.001-40.000 | €12,78 per 400 NT |
| >40.000 | €7,30 per 400 NT |

Moreover, to fall under the provisions of the aforementioned Tonnage Tax Regime the Cyprus ship management company must have:

Qualifying Ship Manager

Which is a tax resident providing ship management services to a qualifying ship or ships of any nationality (flag) and satisfies certain pre-set requirements:

- ❖ Maintaining a fully-fledged office in Cyprus and employ staff sufficient in number and qualification
- ❖ At least 51% of total number of the onshore persons employed shall be EU/EEA citizens
- ❖ At least 2/3 of the total tonnage under management must be managed within the EU/EEA
- ❖ The fleet consisting of 2 or more vessel is composed by 60% of EU/EEA vessels



Owning or managing a 'Qualifying Vessel'

Which is a vessel certified in accordance with the applicable international or national rules and regulations, and registered in the ship registry of any member of the International Maritime Organisation (IMO) / International Labour Organisation (ILO).

Qualifying Shipping Activity

Which is any crew or technical management activity of a qualifying ship.

The opportunities are endless and certain vessels may still qualify for the Tonnage Tax regime even if the abovementioned requirements are not met.

However, each case should be examined on its own merits. Our expert and dedicated shipping teams are at your disposal to assist you on the planning and execution of your shipping business migration to Cyprus and on all other related matters involved (such as tax planning, setting of a company, ship registration and crew payroll).

Your Taxand contact for further queries is:

[Chris Damianou](#)

T. 357 22 699 222

E. <mailto:chris.damianou@eurofast.eu>

Quality tax advice, globally