

CYPRUS SHIPPING INDUSTRY

THE CYPRUS TONNAGE TAX SYSTEM

With its location at the crossroads of Europe, Asia and Africa, Cyprus has an excellent shipping infrastructure which has been continuously developed since ancient times when Cyprus was striving for expertise in the field of merchant shipping.

The Cyprus registry today ranks 10th among international fleets worldwide and offers a high standard of service to international shipping. As a major ship management centre worldwide, Cyprus has approximately 60 ship management companies— some of which have chosen to move there from other jurisdictions such as the UK.

Cyprus attracts a large volume of quality tonnage, thanks to its attractive legislation and efficient tax system.

The Tonnage Tax System (TTS) for Cyprus merchant shipping was approved by the European Commission on 24th March 2010, as compatible with the requirements of the EU acquis, in accordance with the relevant guidelines on State Aid to Maritime Transport. Under the TTS, qualifying owners of Cyprus and foreign ships, charterers and ship managers who opted and are accepted to be taxed under the TTS are subject to an annual tax referred to as tonnage tax, which is calculated on the basis of the net tonnage of the qualifying ships they own, charter or manage. The relevant TTS tax rates are illustrated below:



	Ship Owners/Charterers	Ship Managers
Net Tonnage (NT)	€TT per 100 NT	€TT per 400 NT
Up to 1.000	€36,50	€36,50
Between 1.001 to 10.000	€31,03	€31,03
Between 10. 001 to 25.000	€20,08	€20,08
Between 25. 001 to 40.000	€12,78	€12,78
More than 40.000	€7,30	€7,30

ADVANTAGES OF OPTING TO BE TAXED UNDER TTS

The TTS provides a full exemption from all income taxes in Cyprus including following sources of income/profits:

- Income of a qualifying owners/charterers derived from the operation of a qualifying ship in a qualifying shipping activity;
- Income of a qualifying ship manager from the rendering of crew and/or technical management services (ship management) to a qualifying ship;
- Profit dividends paid to shareholders directly or indirectly from:
 - The operation/ship management of a qualifying ship, or
 - The sale of a qualifying ship (only for owners);
- Bank interest earned on working capital or shipping revenue provided that the said working capital or shipping revenue is used by a qualifying:
 - Owner to pay expenses for the financing and/or operation and/or maintenance of the ship;
 - Charterer to pay expenses arising from the charter party;
 - Ship manager to pay expenses relevant to the management of qualifying ships;

- Income or Profit made by a qualifying owner from the sale of a qualifying ship or from the sale of any shares in a qualifying owner entity that is the owner of a qualifying ship

Some shipping companies choose to set up Alternative Investment Funds (AIF), which can be regulated and therefore create the opportunity to finance through banks or through attraction of new investors. With the modernization of the new funds legislation in Cyprus in 2018 and the introduction of the Registered Alternative Investment Fund (RAIF), the process of setting up has become quicker. In the case of a RAIF, a regulated manager is required.

Alter Domus' local funds team based in Cyprus assist shipping companies in setting up and maintaining their structures. Alter Domus also offers third-party Alternative Investment Fund Manager (AIFM) services and continuously develops its vertically intergraded range of services for the alternative funds market.

CONTACT

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