

Shipping & Transport - Cyprus

Cyprus ship registration

Contributed by **Andreas Neocleous & Co LLC**

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Since independence in 1960, Cyprus has recognised the importance and potential of shipping, and government policy has succeeded in attracting shipping entrepreneurs and developing the island into a world-class shipping centre combining both a sovereign flag and a resident shipping industry, as well as one of the world's largest third-party ship management centres. The Cyprus registry ranks tenth among international fleets, with 1,857 ocean-going vessels with an aggregate gross tonnage of more than 21 million tonnes.

Registration requirements

Ships may be registered provisionally, permanently or on a parallel basis (both in and out). A ship may be registered under the Cyprus flag if either:

- more than half of the shares of the ship are owned by Cypriot citizens or by citizens of member states of the European Union or the European Economic Area (EEA) (if they are not permanent residents of Cyprus, they will have to appoint an authorised representative in the country); or
- all the shares of the ship are owned by corporations operating in accordance with the laws of Cyprus or any other EU or EEA member state and having their registered office, central administration or principal place of business within the EEA; or by corporations registered outside the European Union or the EEA, but controlled by Cypriot citizens or citizens of a member state. If not incorporated and located in Cyprus, either they must have appointed an authorised representative in Cyprus or the management of the ship must be delegated in full to a Cyprus or EU ship management company located in Cyprus.

Applications for the registration of ships must be made through a Cyprus-registered lawyer and the ship must be surveyed by an approved classification society at the time of registration.

Fees

The fee payable on provisional registration is between €213.58 and €5,125.80, depending on gross tonnage. The rate per tonne is 50% higher for passenger vessels and the minimum is €427.15. No further fee is payable for permanent registration, as long as this takes place before the provisional registration expires.

Age and condition

Vessels of any size and type may be registered in the Cyprus Register of Ships or the Special Book of Parallel Registration, as long as they comply with the merchant shipping legislation and Department of Merchant Shipping circulars and satisfy the prescribed conditions for their age and type. The maximum age limit is 25 years for cargo ships, floating production storage and offloading vessels and mobile offshore drilling units. There is no age limit for passenger vessels, provided that they pass the entry inspection. The recognised classification bodies are:

- the American Bureau of Shipping;
- Lloyd's Register of Shipping;
- *Det Norske Veritas*;
- *Bureau Veritas*;
- *Germanischer Lloyd*;
- *Registro Italiano Navale*;
- *Nippon Kaiji Kyokai*;
- the Korean Register of Shipping;

- the China Classification Society;
- the Russian Maritime Register of Shipping; and
- *Polski Rejestr Statków*.

Crew

Crew members may be of any nationality, as long as they hold a certificate of competency issued by one of the more than 60 countries whose certificates of competency Cyprus recognises (for further details please see "Department amends list of countries accepted under STCW Convention").

Taxation

Cyprus has an extremely beneficial, EU-approved tonnage tax regime for qualifying international shipping operations. Tax is charged on the basis of the tonnage and the age of the vessel, rather than on income, with discounts if the crew and technical management of the ship is carried out by a ship management company registered in Cyprus or elsewhere in the European Union. The tonnage tax regime offers substantial savings compared with conventional taxation and applies automatically to Cyprus-registered ships. There is no tax on profits from the operation or management of a Cyprus-registered vessel or on dividends received from a vessel-owning company, and the wages of officers and crew are exempt from income tax. There is no capital gains tax on the sale or transfer of a Cyprus-registered vessel or the shares of a vessel-owning company, and no stamp duty on ship mortgage deeds or other security documents.

Advantages of Cyprus registration

In addition to the low registration costs and tax benefits (particularly the tonnage tax scheme), Cyprus registration has a wide range of other benefits. The well-established legal infrastructure provides full protection for mortgagees and finance providers, and establishment and operating costs are low. The Cyprus flag is on the 'white list' of both the Paris and Tokyo Memoranda of Understanding and is not on the US Coast Guard's List of Targeted Flag States, resulting in fewer inspections and delays.

The Department of Merchant Shipping provides a responsive, high-quality service, supplemented by maritime offices in New York, London, Rotterdam, Piraeus, Brussels and Hamburg, and a network of local inspectors of Cyprus ships covering important ports worldwide.

As well as being a signatory to all international maritime conventions on safety and pollution prevention, Cyprus has concluded bilateral agreements with more than 20 countries giving Cyprus-flag ships and their crews and cargoes national or favoured-nation treatment.

Cyprus is one of the world's top five ship management centres worldwide, with around 60 ship management companies in operation, employing almost 40,000 seafarers and accounting for one-fifth of the world's third-party ship management market.

For further information on this topic please contact Vassilis Psyrras at Andreas Neocleous & Co LLC by telephone (+357 25 110 000), fax (+357 25 110 001) or email (vassilis.psyrras@neocleous.com). The Andreas Neocleous & Co LLC website can be accessed at www.neocleous.com.

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Author

Vasileios Psyrras



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