

Shipping & Transport - Cyprus

Department clarifies application of tonnage tax system

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Owners of yachts and pleasure craft Income tax returns

The Department of Merchant Shipping recently issued Circulars 44/4012 and 45/2012, clarifying the application of the tonnage tax system under the Merchant Shipping (Fees and Taxing Provisions) Law (44(I)/2010).

Owners of yachts and pleasure craft

Circular 44/2012 confirms that owners of yachts and pleasure craft are not required to file tax returns, even though they are deemed to be non-qualifying owners (and consequently not subject to tonnage tax), provided that the vessel concerned is used exclusively by the owner for non-commercial purposes.

If the yacht or pleasure craft is used either wholly or partially for commercial purposes, the owner must submit income tax returns and tax computations to the Inland Revenue Department and will be taxed accordingly.

Income tax returns

Circular 45/2012 notes that the Inland Revenue Department has sent notices to a number of shipping companies, requiring them to submit income tax returns for the period up to the year ended December 31 2009 (ie, before the entry into force of the law).

Registered owners and bareboat charterers of Cyprus ships earning income from the operation of such ships, as well as ship management companies earning income from the provision of ship management services, are advised to apply to the Department of Merchant Shipping for the issuance of a tax clearance certificate.

On presentation of this certificate, they will be released from the obligation to submit income tax returns, provided that they have no other sources of income.

*For further information on this topic please contact **Costas Stamatiou** at **Andreas Neocleous & Co LLC** by telephone (+357 25 110 000), fax (+357 25 110 001) or email (stamatiou@neocleous.com).*

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