

## Shipping & Transport - Cyprus

### New tax regime for international maritime transport companies receives EU approval

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The government's proposal to reduce the tax burden on companies that engage in international maritime transport through the introduction of a special tax regime has received approval from the European Commission.

Cyprus already imposes a reduced tax rate on shipping activities. The new tax regime will allow companies that engage in international maritime transport to opt for a tax calculated on the net tonnage of the fleet that they operate (tonnage tax), rather than being taxed on the actual profits of their maritime transport activities. The tonnage tax scheme will also apply, under certain conditions, to tugboats, dredgers and cable-layers.

The European Commission found that the scheme complies with EU guidelines on state aid to maritime transport, and that adequate safeguards have been put in place to avoid abuse of the scheme for tax evasion or spill over of the scheme's benefits to non-shipping activities. The commission has authorized the scheme until December 31 2019.

The Cyprus maritime industry is one of the largest in the European Union and the 10th largest worldwide. Cyprus is also the biggest third-party ship management centre in the European Union.

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