

# **TAXATION OF SHIPMANAGEMENT SERVICES**

## **GUIDE**



**FIRST EDITION 2006**

## 1. INTRODUCTION

It is recalled that Cypriot companies are subject to a uniform corporate tax rate of 10% on their net earnings. Shipmanagement companies, however enjoy, subject to the conditions listed below, a special tax status. Shipmanagers are automatically subject to the taxation of the shipmanagement services on the basis of the tonnage of ships, for which shipmanagement services have been rendered. However, they have the option to be taxed at the rate of 4,25% on the income derived from the rendering of shipmanagement services, under the provisions of the Income Tax Law in force.

## 2. WHICH SHIPMANAGEMENT COMPANIES CAN BENEFIT?

Shipmanagement companies who are eligible to benefit either from the taxation of the shipmanagement services or to be taxed at the rate of 4,25% on the income derived from the rendering of shipmanagement services must comply with the following:

- A Have an office in the Republic of Cyprus;
- B Provide shipmanagement services (crewing and/or technical and/or commercial ship management services) to the ships they manage, for a period longer than one month.
- C Be staffed with a sufficient in number and qualifications personnel.

Sufficient in number and qualifications personnel means for:

*Crewing and /or Technical shipmanagement:*

- In case they manage up to 10 ships, at least 5 persons (including one skilled crew manager and/or one qualified marine engineer as the case may be).
- In case they manage more than 10 ships, at least 10 persons (including one skilled crew manager and/or two qualified marine engineers, as the case may be).

*Commercial shipmanagement:* one skilled commercial manager and at least three other persons.

In order to ascertain compliance with the above conditions, the shipmanagement company has to provide the Department of Merchant Shipping with the following documents:

- a) Articles and Memorandum of Association of the company;
- b) Certificate of Incorporation;
- c) Registered address and business address;
- d) Certificate of Directors and Secretary;
- e) Organisational chart of the company showing all departments/divisions as well as the number of persons occupied in each department/division;
- f) Supporting documents (CV, copies of the diplomas and / or certificates of relevant work experience) regarding the qualifications of the minimum number of Key personnel required by the Law;

- g) Statement of employees from the Social Insurance Department or work permit for foreigners, who do not contribute to the social insurance or copy of the I.R. 7 Analysis Form (Employee's Data) from the Department of Inland Revenue;
- h) Commercial managers have to provide copies of the SHIPMAN 98 Agreements for all the vessels, for which commercial management is provided. The Department of Merchant Shipping reserves the right to examine the original agreements.

Documents a) to d) have to be provided only the first time a shipmanagement company applies for a Confirmation of Shipmanager's Status or submits a Declaration Form.

Documents e) to h) have to be provided for every fiscal year.

### **3. TYPES OF SHIP MANAGEMENT SERVICES**

The main types of the shipmanagement services, which can be provided, are:

- **“management services relating to the supply of crew”** (Crewing) means services relating to the supply of either the whole or part of the crew, as stated in the safe manning certificate of the ship.
- **“technical management”** means the monitoring of the hull, the engines and the equipment of the ship in order to maintain the standards acceptable by her Flag State according to the relevant Laws and Regulations in force.
- **“commercial management”** means:
  - (a) The provision of chartering services, which includes seeking and negotiating employment of the ship and the conclusion of charter parties or other contracts relating to the employment of the ship, in accordance with the instructions of the shipowner,
  - (b) the payment to shipowners of all hire and freight revenues and any other moneys, to which the shipowners are entitled and arise out of the employment of the ship, and
  - (c) the provision of voyage estimates, accounts, the calculation of hire, freights and demurrage, and/or dispatch moneys due from or due to the charterers of the ship.

The above definition is based to a large extent on the definition given by the international model of Agreement on Shipmanagement, SHIPMAN of the Baltic and International Maritime Council (BIMCO).

Commercial manager is the person/professional/company that acts on behalf of the shipowner, against payment and by virtue of a written Ship Management Agreement that covers the activities (a), (b) and (c) of the above definition simultaneously.

According to the above mentioned, the chartering of a ship directly from the shipowner by virtue of a Charter Party cannot be considered as commercial management.

#### **4. OPTION REGARDING THE METHOD OF TAXATION**

Shipmanagers who opt to be taxed under the provision of the Income Tax Law at the rate of 4,25% on their income derived from the rendering of shipmanagement services, may exercise their option, by a written notice addressed to the Department, with a copy to the Commissioner of Income Tax (Department of Inland Revenue) at least 30 days before the 1<sup>st</sup> of January of the relevant fiscal year. i.e. for the fiscal year 2006, companies have to exercise their option latest by 30 November 2005. The option remains in force until it is withdrawn by a written notice.

***Important:** Shipmanagers, who will opt or opted to be taxed under the provisions of the Income Tax Law will have to provide, as from the fiscal year 2006 and for every subsequent fiscal year, the Department of Inland Revenue with a Confirmation of Shipmanager's Status. Such Document is issued by the Department of Merchant Shipping and certifies that the company complies with the requirements of the Law<sup>1</sup> and is thus eligible to be taxed at the rate of 4,25% on the income derived from the rendering of shipmanagement services (section 2).*

#### **5. HOW TO COMPLETE THE DECLARATION FORM**

Shipmanagement companies, who are subject to taxation and have not opted to be taxed by the income tax, have to complete the Declaration Form for the Taxation of Shipmanagement Services, which can be found on the Department's website, [www.shipping.gov.cy](http://www.shipping.gov.cy), between the 1<sup>st</sup> and 31<sup>st</sup> January of the next year following the fiscal year (i.e. for the fiscal year 2005 the declaration form has to be submitted between 1<sup>st</sup> and 31<sup>st</sup> January 2006).

##### **PART I**

The taxpayer's data have to be completed every fiscal year.

Do not forget to complete also the Taxpayer identification code (T.I.C.), which is the same with the one used for the income tax.

*Description of the office staff:* The number of personnel of each category has to be entered in the boxes and not the sign "✓"

Furthermore you have to attach with every declaration form the following documents in respect of the office staff:

1. The organisational chart of the company showing all departments as well as the number of persons occupied in each department.
2. The supporting documents (CV and copies of the diplomas and/or certificates of work experience) regarding the qualifications of the minimum number of Key personnel required by the Law. In case the personnel remains the same no supporting documents need to be provided and a remark must be made in the declaration form (Part I, point 4).

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<sup>1</sup>The Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2004 and the relevant Regulations of 2000 (P.I. 395/2000).

3. Statement of employees from the Social Insurance Department or work permit for foreigners, who do not contribute to the social insurance or copy of the I.R. 7 Analysis Form (Employee's Data) from the Department of Inland Revenue.

## PART II

Enter "✓" in the appropriate box.

In cases, where the object of the tax is not certified by an independent accountant (certified auditor) the following supporting documents should be submitted for every vessel:

- Certificate of Nationality (copy),
- International Tonnage Measurement Certificate 1969 (copy) and
- Shipmanagement Contract (original or certified true copy).

## PART III

*Ships, which are included in the calculation of the tax:*

- The shipmanagement services provided for each vessel must exceed the period of one month;
- Foreign flag ships for which shipmanagement services of any type (crewing and/or technical and/or commercial) have been provided;
- Cyprus flag ships for which either technical or crewing or commercial management services have been rendered.
- Community<sup>2</sup> flag ships for which either technical or crewing or commercial management services have been rendered.

## Part IV

*Ships which are exempted from the calculation of the tax*

- Ships for which the management services provided for that fiscal year is less than a month.
- Foreign flag vessels, which are registered parallel-out from the Cyprus Registry and their crewing and technical management is entirely contracted to a Cyprus or Community company located in Cyprus and staffed with a sufficient in number and qualifications personnel (as described in section 2 above).
- Cyprus flag vessels whose management in respect of their crewing and technical management, was entrusted in full to a Cyprus shipmanagement company or to a Community shipmanagement company, which has an office in the Republic staffed with a sufficient in number and qualifications personnel for the handling of technical, administrative and accounting matters relating to ships;
- Community flag vessels whose management in respect of their crewing and technical management, was entrusted in full to a Cyprus shipmanagement company or to a Community shipmanagement company, which has an office in the Republic staffed with a sufficient in number and qualifications personnel for the handling of technical, administrative and accounting matters relating to ships; ISM certificates to be provided for each vessel.

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<sup>2</sup>A detailed list of the ships considered as community ships can be found in the Declaration Form, "Instructions for Completing the Declaration"

## TABLES A-F

*Part III, Tables A-C provides information about the vessels, which are included in the calculation of the tax*

Table A: concerns only the Foreign flag vessels

Table B: concerns only the Cyprus flag vessels

Table C: concerns only the Community flag vessels

*Part IV, Tables D-F provides information about the vessels, which are exempted from the calculation of the tax*

Table D: concerns only the Foreign flag vessels

Table E: concerns only the Cyprus flag vessels

Table F: concerns only the Community flag vessels

*IMO NO.* Always to be completed for every ship.

*Dates of the shipmanagement contract:* The effective day of commencement and expiry date of the management contract must be filled out in each column and not the dates of the fiscal year (for example if a contract commenced on 4/5/2003 and expires on 31/8/2007 then write 4/5/2003 and 31/8/2007 in the respective column and not 1/1/2005-31/12/2005).

*Amount of tax:* Use the tax calculator which is on the Department's website under the heading "Taxation of Shipmanagement Services", "Tax calculator" by choosing the option "passenger ship" or "other than passenger ship", giving the gross tonnage, the year when the keel was laid and the dates for which shipmanagement services were rendered during the fiscal year under consideration.

For example if a contract commenced on 4/5/2003 and expires on 31/8/2007 for the calculation of the tax for the fiscal year 2005 you will enter that the management contract commenced on 1/1/2005 and expires on 31/12/2005. For the calculation of the tax for the fiscal year 2007 you will enter 1/1/2007-31/8/2007.

## **6. WHERE AND WHEN SUBMITTING THE DECLARATION FORM**

Shipmanagers are obliged to submit, by hand or by registered mail, their signed and stamped declaration form and pay the calculated amount according to the declaration form to the Department of Merchant Shipping between 1<sup>st</sup> and 31<sup>st</sup> January of the next year following the fiscal year. i.e. the declaration form for the fiscal year 2005 has to be submitted between 1<sup>st</sup> and 31<sup>st</sup> January 2006.

Late payment of the tax results in the imposition of a 5% interest per annum for the first 6 months and with 9% interest per annum on the initial amount of the due tax if payment is not effected within the 6 months limit.

## **7. OBJECTION TO TAXATION**

The Department of Merchant Shipping has to examine the tax declaration form within sixty days from the date of the submission of the declaration form and either accept or reject the object of the tax mentioned in the form.

The imposition of the tax is made by a written *Notice of Imposition of Tax on Shipmanagement Services* (Form MS 52(I)G or MS 52(II)G) and served personally or sent by registered mail.

Every person who disputes the imposed tax, may apply in writing to the Director for the review and revision of same not later than thirty days from the date the Notice of Imposition of Tax has been served.

The Director re-examines the imposed tax and once an agreement is reached between him and the person objecting the tax, the tax is amended accordingly. A notice in writing is served upon such person for the payable/refundable tax, which must be paid /refunded within thirty days from the date the agreements is reached.

## **8. LEGISLATION**

Governing legislation can be found on the DMS website [www.shipping.gov.cy](http://www.shipping.gov.cy) under the heading "Legislation", "Consolidated Cyprus Shipping Legislation", "National Instruments":

- Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000 (P.I. 395/2000);
- Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2004.

Circulars relating to the Taxation of the Shipmanagement Services are issued every year by the Department of Merchant Shipping and are available on the internet.

## **FOR FURTHER INFORMATION**

Department of Merchant Shipping:  
Kyllinis Str.  
Mesa Geitonia  
CY 4007 Lemesos  
P.O. Box 56193  
CY 3305 Lemesos, Cyprus  
Tel 25 848 100  
Fax 25 848 200

Email: [maritimeadmin@dms.mcw.gov.cy](mailto:maritimeadmin@dms.mcw.gov.cy)

Website: [www.shipping.gov.cy](http://www.shipping.gov.cy)

**DEPARTMENT OF MERCHANT SHIPPING**  
**DECLARATION FOR THE TAXATION OF SHIPMANAGEMENT SERVICES**  
**Fiscal Year 2006**

By virtue of the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000, you are hereby required to complete this Declaration<sup>3</sup> stating the true and correct particulars of the shipmanagement services<sup>4</sup> provided during the fiscal year 2006 (object of the tax) and return it to me completed and signed, BETWEEN THE 1ST AND THE 31ST OF JANUARY 2007 and pay the calculated amount of tax according to the Declaration.

The manager or any other individual who has the management of any legal person shall be responsible for submitting this Declaration and carrying out all other necessary acts and representations for the payment of the tax imposed on such legal persons. Provided that the submission of this Declaration and the carrying out of all necessary acts and representations for the payment of the imposed tax on these legal persons, may be carried out by certified auditors, who are duly authorised by the legal person.

Please note that any delay in the submission of the Declaration completed, entails the imposition of interest on the tax which shall be imposed on you.

It is your duty to obtain this printed form from the offices of the Department of Merchant Shipping or to download it from the Department's Website: <http://www.shipping.gov.cy> The fact that such printed form has not been sent to you does not constitute a defense in case you are prosecuted under the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000.

S. SERGHIU  
Director of the Department of Merchant Shipping

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3 The Declaration is completed either by legal or physical persons who are subject to the taxation.

4 Shipmanagement services are defined as follows:

- "management services relating to the supply of crew" (Crewing) means services relating to the supply of either the whole or part of the crew, as stated in the safe manning certificate of the ship.
- "technical management" means the monitoring of the hull, the engines and the equipment of the ship in order to maintain the standards acceptable by her Flag State according to the relevant Laws and Regulations in force.

"Commercial management" means:

- (a) The provision of chartering services, which includes seeking and negotiating employment of the ship and the conclusion of charter parties or other contracts relating to the employment of the ship, in accordance with the instructions of the shipowner,
- (b) the payment to shippowners of all hire and freight revenues and any other moneys, to which the shipowners are entitled and arise out of the employment of the ship, and
- (c) the provision of voyage estimates, accounts, the calculation of hire, freights and demurrage, and/or dispatch moneys due from or due to the charterers of the ship.

## PART I

### PERSONS SUBJECT TO TAXATION

The following persons are subject to taxation:

1. Persons providing management services related to the supply of crew (crewing) or technical shipmanagement services and have an office in the Republic of Cyprus, staffed:
  - (a) in case they manage up to 10 ships, with at least 5 persons (including one qualified marine engineer or one skilled crew manager, as the case may be),
  - (b) in case they manage more than 10 ships, with at least 10 persons (including two qualified marine engineers or one skilled crew manager, as the case may be).
2. Persons providing commercial shipmanagement services and have an office in the Republic of Cyprus staffed with one skilled commercial manager and at least three other persons.

<b>TAXPAYER'S DATA</b>	<b>TAXPAYER IDENTIFICATION CODE (T.I.C)</b>	
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1. NAME

2. BUSINESS ADDRESS (street, number, area)

TOWN / VILLAGE

POST CODE

TELEPHONE NO.

FAX NO.

E-MAIL ADDRESS

3. CORRESPONDENCE ADDRESS (street, number, area)

TOWN/ VILLAGE

POST CODE

P. O. BOX

4. DESCRIPTION OF THE OFFICE STAFF

- |                                |                          |
|--------------------------------|--------------------------|
| a. Qualified Marine Engineers  | <input type="checkbox"/> |
| b. Skilled Crew Managers       | <input type="checkbox"/> |
| c. Skilled Commercial Managers | <input type="checkbox"/> |
| d. Other Personnel             | <input type="checkbox"/> |

## PART II

### CERTIFICATION OF THE OBJECT OF THE TAX

1. The object of the tax is **certified** by an independent accountant (certified auditor) and consequently, by virtue of Regulation 5(3) of the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000, **no relevant supporting documents are submitted.**

2. The object of the tax is **not certified** by an independent accountant (certified auditor) and consequently, by virtue of Regulation 5(3) of the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000, **relevant supporting documents as provided in the Tables of this Declaration are hereby submitted.**

### **PART III**

#### **SHIPS WHICH ARE INCLUDED IN THE CALCULATION OF THE TAX**

Ships falling in any one of the following categories, for which shipmanagement services have been rendered for a period **longer than one month**, are included in the calculation of the tax:

- a) Foreign flag ships for which a shipmanager has rendered any type of shipmanagement services and which do not fall in the category of paragraph (b) of Part IV.
- b) Cyprus flag ships for which a shipmanager has rendered crewing and/or technical shipmanagement services, and which do not fall in the category of paragraph (c) of Part IV.
- c) Cyprus flag ships for which a shipmanager has rendered commercial management services (either fully or partially).
- d) Community ships\* which do not fall in the category of paragraph (d) of Part IV.

#### **CERTIFICATION BY AN INDEPENDENT ACCOUNTANT (CERTIFIED AUDITOR)**

**I certify that all the particulars contained in Tables A, B and C are true and correct and that they correspond exactly, as regards the main particulars of the ship, with the International Tonnage Measurement Certificate (1969) (issued under the International Convention for the Tonnage Measurement of Ships 1969), and as regards the particulars of the shipmanagement services, with the formal shipmanagement contract.**

\_\_\_\_\_  
Signature and stamp

\_\_\_\_\_  
Date

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\* For the exact definition of the term "Community ships", see below the Instructions for Completing the Declaration.







## PART IV

### SHIPS WHICH ARE EXEMPTED FROM THE CALCULATION OF THE TAX

Ships which fall in any one of the following categories, are exempted from the calculation of the tax:

- a) Foreign flag or Cyprus flag ships for which a shipmanager has rendered any type of shipmanagement services for a period of one month or less.
- b) Foreign flag ships pursuant to a parallel - out registration from the Cyprus Registry of Ships, which, by virtue of section 8 (3) of Law 38(I) of 1992 as amended, qualify for a 30% reduction on the annual tonnage tax, on account of their technical and crewing management being entirely contracted to a Cyprus shipmanagement company or entirely contracted to a Community shipmanagement company\*, and provided that the relevant supporting documentation has been deposited with the Registrar of Cyprus Ships as required by the relevant provisions of Law 38(I) of 1992 as amended.
- c) Cyprus flag ships, which, by virtue of section 8 (3) of Law 38(I) of 1992 as amended, qualify for a 30% reduction on the annual tonnage tax on account of their technical and crewing management being entirely contracted to a Cyprus shipmanagement company or entirely contracted to a Community shipmanagement company\*, and provided that the relevant supporting documentation has been deposited with the Registrar of Cyprus Ships as required by the relevant provisions of Law 38(I) of 1992 as amended.
- d) Community ships\* provided their management in respect of their crewing and technical management, was entrusted in full to a Cyprus shipmanagement company or to a Community shipmanagement company\*, which has an office in the Republic staffed with a sufficient in number and qualifications personnel for the handling of technical, administrative and accounting matters relating to ships, and provided that the relevant supporting documentation has been deposited with the Director of the Department of Merchant Shipping as required by the relevant provisions of Law 38(I) of 1992 as amended.

#### CERTIFICATION BY AN INDEPENDENT ACCOUNTANT (CERTIFIED AUDITOR)

I certify that all the particulars contained in Tables D, E and F are true and correct and that they correspond exactly, as regards the main particulars of the ship, with the International Tonnage Measurement Certificate (1969) (issued under the International Convention for the Tonnage Measurement of Ships 1969), and as regards the particulars of the shipmanagement services, with the formal shipmanagement contract.

\_\_\_\_\_  
Signature and stamp

\_\_\_\_\_  
Date

\* For the exact definition of the term "Community shipmanagement company" and "Community ships", see below the Instructions for Completing the Declaration.







**ATTACHMENTS - SUPPORTING DOCUMENTS GUIDELINES**

Before you submit this Declaration please be ensure:

	Enter "✓" in the appropriate box	FOR OFFICIAL USE
1. You have checked your T.I.C. in Part I.	<input type="checkbox"/>	<input type="checkbox"/>
2. You have completed all parts of the Declaration.	<input type="checkbox"/>	<input type="checkbox"/>
3. You have attached all necessary supporting documents as follows:		
i) Organisational chart of the office showing of all departments as well as the number of personnel occupied in each department	<input type="checkbox"/>	<input type="checkbox"/>
ii) Supporting documents on the qualifications of the minimum number of key personnel required for the office staff, as per Part I.	<input type="checkbox"/>	<input type="checkbox"/>
4. You have attached all relevant supporting ship documents required in the tables of Parts III and IV.	<input type="checkbox"/>	<input type="checkbox"/>
5. You have signed the Declaration in the appropriate place.	<input type="checkbox"/>	<input type="checkbox"/>

**D E C L A R A T I O N**

**I declare that during the fiscal year 2006, I have provided shipmanagement services**

**to \_\_\_\_\_ ships that are included in the calculation of the tax and the total amount of tax is CYP \_\_\_\_\_ and to \_\_\_\_\_ ships that are exempted from the calculation of the tax.**

**Furthermore I declare to the best of my knowledge and belief that all the statements contained in this Declaration are true and correct and that I have disclosed all the shipmanagement services provided during the fiscal year 2006.**

\_\_\_\_\_  
Signature & stamp                      T.I.C.                      Capacity\*                      Date

\*Insert appropriate Code: 1 "Director" 2 "Secretary" 3 "Manager" as the case may be

**PENALTIES**

**Under Regulations 20 and 21 of the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000, penalties are incurred by any person who:**

- (a) willfully and fraudulently submits an incorrect Declaration in connection with the ascertainment of his liability to tax;
- (b) assists, any other person to make a Declaration which is false in any material particular;
- (c) fails to submit a Declaration or to perform any duty required by the new legislation introduced.

# INSTRUCTIONS FOR COMPLETING THE DECLARATION

## 1. GENERAL INSTRUCTIONS

### PART I

The Taxpayer Identification Code (T.I.C.) is the same with the one used for the Income Tax.

In “Taxpayer’s Data” (paragraph 4), state in the appropriate box the number of key personnel employed in the office.

### PART II

Enter “✓” in the appropriate box.

Under section 2 of Law 38(l) of 1992 as amended, “*Community shipmanagement company*” means a corporation providing shipmanagement services, having its principal place of business in a Member State of the European Union and which has been established and operates in accordance with the Laws of that Member State ;

For the purposes of the present Declaration, the term “*Community ship*” does not include “Cyprus ships”. “Foreign ships” are substantially considered as ships under the flag of third countries , outside the European Union. Under section 2 of Law 38(l) of 1992 as amended, “*Community ship*” means a ship registered in and flying the flag of a Member State of the European Union in accordance with its legislation. Member States registers’ should be understood as meaning registers governed by the law of a Member State applying to their territories forming part of the European Community. Consequently,

***Community ships are considered those ships which are registered and fly the flag of :***

- a) the first registers of the remaining 24 Member States<sup>5</sup>;
- b) the following registers, located in Member States and subject to their laws:
  - the Danish International Register of Shipping (DIS),
  - the German International Shipping Register (ISR),
  - the Italian International Shipping Register,
  - the Madeira International Ship Register (MAR),
  - the Canary Islands register.
- c) the Gibraltar register ( in the case of Gibraltar, the Treaty applies fully and the Gibraltar register is, for the purposes of this Declaration , considered to be a Member State's register).

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<sup>5</sup> i.e. the first registers of Austria, Belgium, France, Germany, Denmark, Greece, Estonia, United Kingdom, Ireland, Spain, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Hungary, Poland, Portugal, Slovakia, Slovenia, Sweden, Czech Republic, Finland.

***Ships which are registered and fly the flag of :***

- a) the Kerguelen register (the Treaty does not apply to this territory);
- b) the Dutch Antilles' register (this territory is associated to the Community; only Part IV of the Treaty applies to it. It is responsible for its own fiscal regime);
- c) the Isle of Man register (only specific parts of the Treaty apply to the Isle - see Article 227 (5) (c) of the Treaty. The Isle of Man parliament has sole right to legislate on fiscal matters);
- d) the Bermuda and Cayman registers (they are part of the territories associated to the Community; only Part IV of the Treaty applies to them and they have a fiscal autonomy),

***are not considered as Community ships (but are considered as foreign ships)***

## 2. INSTRUCTIONS FOR CALCULATING THE TAX

### FORMULA FOR THE CALCULATION OF TAX<sup>6</sup>

Taxation for a ship =  $\{[(\text{Basic Charge} + \text{Gross Tonnage Increment}) \times \text{Age Multiplier}] \times 25\%\} \times \text{Period in Months} \div 12$

where: **Basic Charge** = CY£100.00

#### Gross Tonnage Increment

For each unit up to 1600	26 cents
For each additional unit between 1601-10000	16 cents
For each additional unit between 10001-50000	6 cents
For each additional unit over 50000	4 cents

#### Age Multiplier

Up to 10 years	0,75
11-20 years	1,00
Over 20 years	1,30

The age of the ship is calculated by taking the year in which the keel was laid and then deducting it from the year for which the tax is calculated.

**Period in Months** is the duration of the validity of the Contract for the provision of shipmanagement services during the year for which the tax is calculated. According to Regulations 2 and 4 of the Merchant Shipping (Taxation of Shipmanagement Services) Regulations of 2000, when the duration of the Contract is less or equal to one month, then the shipmanagement services mentioned in the Contract are exempted from the tax. Provision of shipmanagement services for a period longer than one month is taxed, while any fraction of the month in a period longer than one month shall be considered as a whole month.

*Examples:*

<i>Duration of Contract: 28/1/2006 to 2/5/2006</i>	<i>Period of calculation of the tax: 5 months</i>
<i>Duration of Contract: 1/1/2006 to 31/5/2006</i>	<i>Period of calculation of the tax: 5 months</i>
<i>Duration of Contract: 1/1/2006 to 31/12/2006</i>	<i>Period of calculation of the tax: 12 months</i>

The above calculation applies to all types of ships except passenger ships.

For the provision of shipmanagement services to passenger ships, the calculated amount of tax resulting from the application of the above formula is doubled.

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<sup>6</sup>The above formula is available on the web page of the Department of Merchant Shipping: <http://www.shipping.gov.cy> and may be used for the accurate calculation of the payable amount of tax for each vessel.

ΚΥΠΡΙΑΚΗ



ΔΗΜΟΚΡΑΤΙΑ

ΥΠΟΥΡΓΕΙΟ ΣΥΓΚΟΙΝΩΝΙΩΝ ΚΑΙ ΕΡΓΩΝ  
ΤΜΗΜΑ ΕΜΠΟΡΙΚΗΣ ΝΑΥΤΙΛΙΑΣ  
ΛΕΜΕΣΟΣ

[Έντυπο M.S. 53]

[Ημερομηνία]

ΒΕΒΑΙΩΣΗ ΚΑΘΕΣΤΩΤΟΣ ΠΛΟΙΟΔΙΑΧΕΙΡΙΣΤΗ

Βεβαιώνεται ότι για το φορολογικό έτος ..... η εταιρεία /ο συνεταιρισμός /το άτομο .....  
..... πληροί τα κριτήρια των περί Εμπορικής Ναυτιλίας (Τέλη και Φορολογικές Διατάξεις) Νόμων του 1992  
έως 2004 και των σχετικών Κανονισμών του 2000 (Κ.Δ.Π. 395/2000) ως πλοιοδιαχειριστής και  
δικαιούται έτσι να φορολογηθεί με συντελεστή 4,25% στα εισοδήματα τα οποία προκύπτουν από την  
παροχή υπηρεσιών διαχείρισης πλοίων, σύμφωνα με τις πρόνοιες του εκάστοτε σε ισχύ περί  
Φορολογίας του Εισοδήματος Νόμου.

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CONFIRMATION OF SHIPMANAGER'S STATUS

It is herewith confirmed that for the tax year ..... the company /partnership/ individual  
.....  
..... complies with the requirements of the Merchant Shipping (Fees and Taxing Provisions) Laws of  
1992 to 2004 and the relevant Regulations of 2000 (P.I. 395/2000) as a shipmanager and is thus  
eligible to be taxed, at the rate of 4,25% on the income derived from the rendering of  
shipmanagement services, under the provisions of the Income Tax Law in force.

Διευθυντής  
Τμήματος Εμπορικής Ναυτιλίας

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