



YACHT LEASING SCHEME CYPRUS

MPC

MARILOU PAVLOU CHRISTODOULIDES LLC
ADVOCATES & LEGAL CONSULTANTS

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Cyprus enjoys a favorable tax system in line with the EU requirements and OECD principles. In order to qualify under the Cyprus Yacht Scheme the applicant must incorporate a Cyprus company and lease out the yacht through that company provided that the applicant satisfies the following requirements, instead of buying the yacht outright and paying the full VAT on the transaction, noting that the current VAT rate in Cyprus is 19%.

Requirements – Cyprus Yacht Scheme

1. A lease agreement must be concluded between a Cyprus company and an individual or legal person, whereby the lessee is granted the option to purchase the yacht at a discount of the original price at the end of the lease.
2. The yacht must arrive in Cyprus within 1 month from the date of commencement of the lease agreement. Any extension of such time may be granted only by the VAT Commissioner.
3. An initial payment amounting to at least 40% of the value of the yacht must be paid by the lessee to the lessor at the commencement of the lease agreement including the corresponding VAT amount.
4. The lease payments are payable on a monthly basis, and the lease period must not be less than 91 days or not exceed a period of 48 months.
5. The lessor is expected to make a total profit from the leasing agreement of at least 5% on the initial value of the yacht.
6. The prior approval of the VAT Commissioner needs to be obtained for the application of the Scheme in each particular case. Such approval will cover the acceptability of the initial value of the yacht, and the applicable percentage of use within EU territorial seas on the basis of which VAT will be applied.



Tax Benefits – Yacht Registration

1. No tax on profits from the operation or management of a Cyprus-registered yacht or on dividends received from a yacht-owning company;
2. No income tax on the profits derived by a Cyprus yacht-owning company (including chartering of yachts);
3. No capital gains tax on the sale or transfer of a Cyprus-registered yacht or the shares of a yacht-owning company;
4. No estate duty on the inheritance of shares in a vessel or company holding a yacht;
5. No income tax on the wages of officers & crew;
6. Low registration costs;
7. Favorable tonnage tax scheme based on yacht gross tonnage;
8. No stamp duty on ship mortgage deeds or other security documents;
9. Extensive double tax treaties with more than 43 countries.

Cyprus has been well established as a shipping hub in the maritime industry via its favourable legal framework, as well as its sound maritime infrastructure, attractive tax regime and beneficial tonnage tax system.

How MPC can help?

- Incorporate a Cyprus company;
- Provide specialised tax and legal advice on the implementation of the scheme;
- Assistance with the yacht leasing procedure;
- Liaise with the Shipping Deputy Ministry and relevant authorities.

EXCELLENCE MATTERS

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