THE MERCHANT SHIPPING (FEES AND TAXING PROVISIONS) LAWS OF 2010-2020 [1]

(LAW No. 44 (I) OF 2010 AS AMENDED BY LAW 39(I)/2020)

ARRANGEMENT OF SECTIONS AND SCHEDULES

Section

[1] Consolidation Note : *Law 44(I)/2010 was published in the Greek language in the Official Gazette of the Republic of Cyprus No. 4241, Supplement I(I), dated 14.05.2010 and thereafter amended by Law 39(I)/2020 (Official Gazette No. 4753, Supplement I(I), dated 16.04.2020). This is an "unofficial" consolidated translation into English prepared by the Shipping Deputy Ministry and does not intend to replace any translation prepared by the Law Commissioner's Office.*

All amendments introduced by Law 39(I)/2020 are marked in red.

According to Article 3 of the Constitution of the Republic of Cyprus, the official languages of the Republic of Cyprus are Greek and Turkish and therefore the present translation into English ***is not the authentic version. The authentic and therefore legally binding version, is the Greek version of this Law.***

PART VI - TAXATION OF SHIP MANAGERS

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Second Schedule	Tonnage Tax Rates for Qualifying Ship Managers of Cyprus and Foreign Ships (Section 31)

A LAW TO PROVIDE FOR THE PAYMENT OF FEES OF CYPRUS SHIPS, FOR THE TAXATION OF SHIP OWNERS, CHARTERERS, AND SHIP MANAGERS, AND FOR RELATED MATTERS

The House of Representatives enacts as follows:

	PART I – INTRODUCTORY PROVISIONS
Short title.	**1.** The present Laws shall be cited as the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010 and 2020.
Interpretation. *2(c) of 39(I)/2020.*	**2.**—(l) In this Law, unless the context otherwise requires—[2] "ancillary activities to maritime transport" or "ancillary activities" means: (a) the activities related to a qualifying ship under tonnage tax, which have a substantial connection with the core maritime transport activities of a qualifying owner or a qualifying charterer but which exclude commercial activities that form part of an operation of a port carried on for profit, or (b) where the qualifying owner or the qualifying charterer of a qualifying ship under tonnage tax is a member of a group of companies, the activities related to such qualifying ship's core maritime transport activities provided by another member of that group which is a tax resident of the Republic, as such activities may be determined, from time to time, by the Permanent Secretary of the Shipping Deputy Ministry in a Notification, in compliance with the applicable Community policy-guidelines on State aid to maritime transport; " BIMCO" means the Baltic and International Maritime Council; "certificate of registration " means the certificate of registration of a Cyprus ship; **"**charterer" means any legal person who is the charterer of any ship by virtue of a bareboat charter or demise charter or time charter or voyage charter and more specifically the charterer whose main and essential activity is the operation of chartered vessels owned by third parties, for the purpose of conducting maritime transport; "commercial management services " means *inter alia* **:** (a) the provision of chartering services in accordance with the instructions of the owner, 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; (b) the payment to owners of all hire and freight revenues and any other moneys, to which the owners are entitled and arise out of the employment of the ship; and

[2] Consolidation Note : The various definitions in section 2 are listed in the English alphabetical order (an alphabetical order not corresponding to the alphabetical order used for the same definitions in the official Greek version of this Law).

(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;

and may include other relevant functions usually performed by the ship manager as defined by the BIMCO Standard Ship Management Agreement , as the said Standard is amended from time to time ;

"Community ship " means a ship which –

(a) is registered in a Member State and flying the flag of a Member State in accordance with its legislation ; and

(b) is determined by Notification, in compliance with the applicable Community policy-guidelines on State aid to maritime transport, as adopted from time to time by the European Commission ;

"Competent Authority" means the Shipping Deputy Minister and/or any other person authorised by the Deputy Minister by virtue of section 3 of this Law;

" Crew manager " means a ship manager providing crew management services;

"crew management services " means *inter alia :*

(a) selecting and engaging the vessel's crew, including payroll arrangements, and insurances for the crew;

(b) ensuring that the applicable requirements of the law of the flag of the vessel as well as any additional requirements imposed by this Law are satisfied in respect of manning levels, rank, qualification and certification of the crew and employment regulations including crew's tax, discipline and other requirements;

(c) ensuring that all members of the crew have passed a medical examination with a qualified doctor certifying that they are fit for the duties for which they are engaged and are in possession of valid medical certificates issued in accordance with appropriate flag State requirements;

(d) arranging transportation of the crew, including repatriation;

(e) training of the crew and supervising their efficiency;

and may include other relevant functions usually performed by the ship manager as defined by the BIMCO Standard Ship Management Agreement , as the said Standard is amended from time to time ;

"Cyprus Register (or Register)" means the register provided by section 4 of *the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws of 1963 to 2005;*

45 of 1963
32 of 1965
82 of 1968
62 of 1973
102 of 1973
42 of 1979
25 of 1980
14 of 1982
57 of 1986
64 of 1987
28(I) of 1995
37(I) of 1996
138(I) of 2003

169(I) of 2004 *108(I) of 2005.*	"Cyprus ship" means a ship registered in the Cyprus Register, under the provisions of *the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws of 1963 to 2005*, and it also includes a foreign registered ship registered in the Special Book of Parallel Registration, under the provisions of Part VA of the same Law;

	"European Commission" means the Commission of the European Union;
	"European Economic Area " means the geographical area within which the European Economic Area Agreement is applicable;
	"European Economic Area Agreement" means the European Economic Area Agreement signed in Oporto on 2 May 1992, as amended from time to time;
	"fiscal year" means the period of twelve months commencing on the first day of January in each year;
	"foreign ship" means any ship other than a Cyprus ship;
56(I) of 1992 *60(I) of 1999* *73(I) of 2001.*	"high speed small vessel" means a motorised vessel as defined by *the High Speed Small Vessels Laws of 1992 to 2001*, or any other legislation substituting the same;
Official Gazette. *Suppl. III (I)* *31.12.1997.* *P.I. 394/97.*	"ISM Code" means the International Safety Management Code for the Safety of Ships and the Prevention of Pollution, which was adopted by the International Maritime Organization (IMO) on the 4th of November 1993, rendered mandatory pursuant to Chapter IX of the International Convention for the Safety of Life at Sea of 1974/78, as amended, which was adopted by the decision of the Council of Ministers dated 20 November 1997;
	" Maritime Labour Convention 2006 (MLC) " means the Maritime Labour Convention of the International Labour Organization adopted at Geneva on 23 February 2006;
2(c) of 39(I)/2020.	"maritime transport" means the carriage of goods or passengers by sea outside the territorial sea of the Republic, between a Cyprus port and a foreign port or an off-shore facility, or between foreign ports, or off-shore facilities and this definition includes: (a) ancillary activities to maritime transport, provided that the revenues from such activities shall not exceed fifty per cent (50%) of the total gross revenues from the operation of each qualifying ship under tonnage tax by a qualifying owner or qualifying charterer; (b) the following eligible for tonnage tax activities: (i) towage activities and dredging activities, under conditions determined by Notification, in compliance with the

	applicable Community policy-guidelines on State aid to maritime transport, upon a State aid scheme notification approval for Cyprus by the European Commission; (ii) by analogy cable –laying activities.
	"Member State" means a Member State of the European Union or any other contracting party to the European Economic Area Agreement; "Notification" means a notification issued by the Permanent Secretary and published in the Official Gazette of the Republic; " owner " means the owner of a ship or share therein , registered as such by law in the register of ships of the relevant flag State, and in the case of a Cyprus ship means the owner of a share in a Cyprus ship and includes the bareboat charterer of a ship, which is registered in parallel in the Cyprus register, as defined in Part VA of *the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws of 1963 to 2005*; " Paris MOU" means the Memorandum of Understanding on Port State Control, signed in Paris on 26 January 1982;
2(b) of 39(I)/2020.	"Permanent Secretary" means the Permanent Secretary of the Shipping Deputy Ministry and includes the person who acts as acting Permanent Secretary of the Shipping Deputy Ministry and the officers of the Shipping Deputy Ministry who are authorised by the Permanent Secretary;
2(c) of 39(I)/2020.	"qualifying ship" means a seagoing vessel, (a) certificated in accordance with the applicable international or national rules and regulations, and (b) registered in the ship register of any member of the International Maritime Organization (IMO) / International Labour Organization (ILO) which is recognised by the Republic, and this definition includes the following ships: (i) cable laying ships, pipe laying ships; (ii) ocean going dredgers, ocean going tug boats; (iii) crane vessels, self-propelled barges; (iv) research vessels; (v) mobile off- shore drilling units (MODUS); (vi) off-shore support/servicing vessels engaged in petroleum and gas activities;

(vii) multi-purpose, break-bulk and other types of support/servicing vessels;

(viii) cruise ships;

(ix) commercial yachts;

(x) rescue and marine assistance vessels;

(xi) guard vessels for maritime security and environmental clean-up purposes;

(xii) vessels for raising, repairing and dismantling windmills;

(xiii) ice management vessels;

(xiv) accommodation vessels for housing offshore workers at sea;

(xv) any vessel which is engaged in the transportation of any United Nations (UN) or European Union (EU) humanitarian aid or is involved in any UN or EU humanitarian relief operations; and

(xvi) other types of vessels which may be determined, from time to time, by the Permanent Secretary in a decision published in the Official Gazette of the Republic, as being a qualifying ship in compliance with the applicable Community policy-guidelines on State aid to maritime transport, upon a State aid scheme notification approval for Cyprus by the European Commission,

but does not include:

(i) fishing and fish factory vessels;

(ii) private yachts and vessels used primarily for sport or recreation;

(iii) vessels constructed and used exclusively for inland waterway navigation;

(iv) fixed offshore installations and floating storage units which are not used for maritime transport;

(v) non-ocean going tug boats and non-ocean going dredgers;

(vi) stationary vessels employed for hotel and/or catering operations (floating hotels or restaurants);

(vii) vessels employed mainly as gambling facilities and/or casinos (floating or cruising casinos);

(viii) non-propelled barges;

(ix) other types of vessels which may be determined, from time to time, by the Permanent Secretary in a Notification published in the Official Gazette of the Republic, as not being a qualifying ship in compliance with the applicable Community policy-guidelines on State aid to

	maritime transport, upon a State aid scheme notification approval for Cyprus by the European Commission.
	"qualifying shipping activity" means any commercial business or activity which constitutes maritime transport, or crew or technical management of qualifying ships;
	"Republic" means the Republic of Cyprus;
	"Seventh Council Directive 83/349/EEC" means the European Community act titled "Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts", as amended or replaced from time to time;
	"ship manager " means any legal person providing ship management services;
2(b) of 39(I)/2020. *123(I)/2017.*	"Shipping Deputy Minister" or "Deputy Minister" means the Shipping Deputy Minister appointed and exercising the powers and duties assigned to him in accordance with the provisions of *the Establishment of a Shipping Deputy Ministry and Appointment of a Shipping Deputy Minister to the President and for Matters Connected Therewith Law of 2017;*
2(b) of 39(I)/2020. *123(I)/2017.*	"Shipping Deputy Ministry" or "Deputy Ministry" means the Shipping Deputy Ministry established and operating pursuant to the provisions of *the Establishment of a Shipping Deputy Ministry and Appointment of a Shipping Deputy Minister to the President and for Matters Connected Therewith Law of 2017;*
	"ship management services" means the services provided by a ship manager to an owner or bareboat charterer of a ship by virtue of a relevant written ship management agreement , relating to the crew management services and /or to the technical management services of the ship;
Official Gazette Suppl. III: 1.12.1955.	"small vessel" has the meaning attributed to this term by Regulation 3 of *the Emergency Powers (Control of Small Vessels) Regulations 1955*;
8 of 1985 *1(III) of 1998.*	"STCW Convention " means the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW) ratified by the Republic by virtue of the *International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 and 1995 (Ratification) and for Matters Connected Therewith Laws of 1985 and 1998*, as the said Convention is amended from time to time;
118(I) of 2002 *230(I) of 2002* *162(I) of 2003* *195(I) of 2004* *92(I) of 2005* *113(I) of 2006* *80(I) of 2007* *138(I) of 2007* *32(I) of 2009* *45(I) of 2009* *74(I) of 2009* *110(I) of 2009.*	"tax resident" means any person who is a resident of the Republic within the meaning of the *Income Tax Laws of 2002 to (No.4) of 2009*;
	"technical management services" means *inter alia*: (a) the provision of competent personnel to supervise the maintenance and

	general efficiency of the vessel; (b) the arrangement and supervision of dry dockings, repairs, alterations and the upkeep of the vessel to the standards required by the law of the flag of the vessel and of the places where she trades, and all requirements and recommendations of its classification society; (c) the arrangement of the supply of necessary stores, spares and lubricating oil; and may include other relevant functions usually performed by the ship manager as defined by the BIMCO Standard Ship Management Agreement , as the said Standard is amended from time to time ;
45 of 1964.	"territorial sea of the Republic ", means the territorial sea of the Republic as delimited by virtue of *the Territorial Sea Law of 1964*;
46 of 1963 *33 of 1965* *69 of 1968* *25 of 1969* *24 of 1976* *85 of 1984.* *103(I) of 1997* *101(I) of 2002* *233(I) of 2002.*	"tonnage tax system" means the system whereby a qualifying owner, a qualifying charterer or a qualifying ship manager of a Cyprus or foreign ship, as the case may be, is subject to an annual tax known as tonnage tax, in accordance with the provisions of this Law; (2) Unless the context otherwise requires, the terms used in this Law have the meaning attributed to them in *the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws of 1963 to 2005*, and *the Merchant Shipping (Masters and Seamen) Laws of 1963 to 2002*.
Delegation of powers and duties. *3(a) of 39(I)/2020.* *3(c) of 39(I)/2020.* *3(b) of 39(I)/2020.*	**3.-** (1)(a) The Deputy Minister may delegate in writing the exercise of any power, and the execution of any duty, provided or assigned to the Deputy Minister or the Competent Authority by this Law or by the regulations issued thereunder – (i) to the Permanent Secretary or to any other person serving at the Shipping Deputy Ministry; (ii) to any person serving at the Shipping Deputy Ministry. In case of such delegation, the Deputy Minister retains the power to exercise such delegated power and to execute such delegated duty, as from and during such delegation.
3(c) of 39(I)/2020. *3(b) of 39(I)/2020.*	(b) The Permanent Secretary may delegate in writing the exercise of any power, and the execution of any duty, provided or assigned to the Permanent Secretary by this Law or by the regulations issued thereunder to any person serving at the Shipping Deputy Ministry.
3(c) of 39(I)/2020.	In case of such delegation, the Permanent Secretary retains the power to exercise such delegated power and to execute such delegated duty, as from and during such delegation.

3(a) of 39(I)/2020. *3(c) of 39(I)/2020.*	(2) A person to whom the exercise of power or the execution of a duty is delegated by virtue of subsection (1), has the obligation of exercising the power and executing the duty according to any instructions issued by the person who has delegated the power. (3) The Deputy Minister and the Permanent Secretary may each one of them amend and revoke a delegation effected by virtue of subsection (1), by a written notice addressed to the person to whom the delegation had been effected. (4) In case where, by virtue of this section, two or more persons simultaneously exercise the same power or execute the same duty, the hierarchically subordinate of the said persons takes the appropriate measures so that he will not exercise the power or will not execute the duty on the same real facts with his hierarchically superior, unless the latter will permit so and in accordance with any instructions of the latter. (5) In case where, by virtue of this section, a person exercises a power or executes a duty that this Law or the regulations issued thereunder provide or assign respectively to another person, this Law and the regulations issued thereunder, apply as if the said power had been explicitly provided to the person that is exercising the power and the said duty had been explicitly assigned to the person executing it.
	PART II – FEES AND DUES REGARDING CYPRUS SHIPS
Fees and dues.	**4.** —(1) Subject to the provisions of section 65(2) of this Law **,**in respect of the matters regarding Cyprus ships, coastal vessels, small vessels , and high speed small vessels , the various fees and dues to be paid for their registration -recording, registry transactions, safety inspections/ surveys, safety certification and for other relevant services rendered are those prescribed by Regulations issued under section 62 of this Law. Fees and dues regarding different categories of vessels and /or services may be prescribed by different Regulations. For the purpose of calculating these fees, where applicable, the gross tonnage will be considered at first to be the one stated on the provisional certificate of registration of the Cyprus ship and, after its measurement, the one on the certificate of tonnage. In case of any difference between the two, the fee shall be recalculated according to the certificate of tonnage. (2) For every Cyprus ship , there shall be payable by her registered owner to the Permanent Secretary an annual fee of an amount of **300 euro** , referred to as "*Cyprus Registry Maintenance Annual Fee* ". The manner according to which the said annual fee shall be levied and collected, shall be prescribed by a Notification.
	PART III – GENERAL TAXATION PROVISIONS
Tonnage tax system.	**5.** —(1) Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, on qualifying owners, qualifying charterers and qualifying ship managers mentioned in sections 6, 18 and 28 of this Law, there shall be charged , levied and collected an annual tax referred to as tonnage tax, which is calculated on the basis of the net tonnage of the ships they own, charter or manage respectively, as prescribed in sections 9, 13 , 15 , 21, 23, 25 and 31 of this Law.

3(b) of 39(I)/2020.	(2) The tonnage tax shall be assessed by and be payable to the Shipping Deputy Ministry on a date to be prescribed by a Notification.
	PART IV - TAXATION OF SHIP OWNERS
	CHAPTER A- QUALIFYING OWNERS SUBJECT TO TONNAGE TAX & INCOME TAX EXEMPTION
Qualifying owners.	**6.** —(1) For the purpose of this Law, the following shall be deemed to be qualifying owners of ships who shall be subject to an annual tax referred to as tonnage tax: (a) an owner of a Cyprus ship, that is a qualifying ship engaged in a qualifying shipping activity ; or (b) a tax resident owner of a Community ship who has opted to be taxed under the tonnage tax system in accordance with section 7 and the ship is a qualifying ship engaged in a qualifying shipping activity ; or (c) a tax resident owner of a fleet of ships comprising Community and non - Community ships who has opted to be taxed under the tonnage tax system in accordance with section 7, and the said ships are qualifying ships engaged in a qualifying shipping activity, and furthermore provided section 15 is fulfilled.
4 of 39(I)/2020.	(d) For the purposes of this subsection, an owner benefiting from the tonnage tax system as from the 1st January 2020 shall be deemed to be a qualifying owner of ships in case the qualifying ship has been chartered out by the owner on bareboat charter terms if: (i) the ship is bareboat chartered out to a charterer forming part of the same group as the aforementioned owner (intra- group transaction); or (ii) the owner demonstrates, to the satisfaction of the Permanent Secretary, that the ship was bareboat chartered out due to short-term over-capacity and the term of the charter does not exceed three (3) years. Provided that, for the purposes of paragraph (ii) above, at least fifty per cent (50%) of the tonnage taxed fleet during a fiscal year must still be operated by the owner. Provided further that, for the purposes of paragraph (ii) above, the term "short-term over-capacity" shall refer solely to ships acquired, bought or chartered, by the owner for the purposes of carrying out its own maritime transport activities and shall not include any ships specifically acquired, bought or chartered, for the purposes of chartering out on a bareboat basis. Provided further that, the above provisions shall not be applicable to the existing bareboat charter out agreements until their date of expiration or until 31 December 2022, whichever of the above dates takes place earlier. (2) For the purpose of this Part of the Law and in particular for the purpose of section 15 :

(a) the term "fleet" means two or more ships owned, directly or indirectly by the same person or persons or by companies directly or indirectly owned by such person or persons or by companies forming part of the same Group;

(b) the term "Group" means two or more companies which have, directly or indirectly a holding (parent) / subsidiary relation or which are, directly or indirectly, subsidiaries of the same holding (parent) company;

(c) the term "company" has the meaning attributed to it by *the Companies Law, Cap. 113*, as amended from time to time;

Cap. 113.
9 of 1968
76 of 1977
17 of 1979
105 of 1985
198 of 1986
19 of 1990
41(I) of 1994
15(I) of 1995
21(I) of 1997
82(I) of 1999
149(I) of 1999
2 (I) of 2000
135(I) of 2000
151(I) of 2000
76(I) of 2001
70 (I) of 2003
167(I) of 2003
92(I) of 2004
24(I) of 2005
129(I) of 2005
130(I) of 2005
98(I) of 2006
124(I) of 2006
70(I) of 2007
71(I) of 2007
131(I) of 2007
186(I) of 2007
87(I) of 2008
41(I) of 2009
49(I) of 2009
99(I) of 2009.

(d) the terms "holding (parent) " and "subsidiary" have the meanings attributed to them by Article 1 of the Seventh Council Directive 83/349/EEC.

(3) Owners who do not at any time fall within the scope of application of subsection (1) above as the case may be , shall be liable to pay tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic .

Provided further that, if an owner of a foreign ship has not opted to be taxed under the tonnage tax system , his ships shall not be considered as qualifying ships.

Right of owners of foreign ships to opt for tonnage tax .	**7 .** — (1) Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, owners of foreign ships to which the provisions of section 6 (1) (b) or (c) apply , shall have the right to opt to be taxed in respect of any particular fiscal year with tonnage tax under the provisions of this Law. Such owners, must remain in the tonnage tax system for at least ten years.
3(c) of 39(I)/2020.	(2) The option granted under subsection (1) above may be exercised by written application addressed to the Permanent Secretary with a copy to the Commissioner of Taxation at least thirty days prior to the 1st January of the relevant year. The Permanent Secretary will assess the application and its supporting documentation and will decide within thirty days whether the applicant qualifies and will communicate its decision to the applicant and to the Commissioner of Taxation. In case it is approved, the option shall be effective from the date of receipt of the application and shall continue to remain in force until it expires, or it is subsequently withdrawn by the owner in the same manner. A notice of withdrawal given during the term of any year shall have effect on the 31st December of that year.
3(d) of 39(I)/2020.	(3) Notwithstanding the provisions of subsection (1) above, in case an owner of a foreign ship who has opted to be taxed under the tonnage tax system elects to withdraw, otherwise than as a result of the disposal of the ship, from the tonnage tax system prior to the expiration of the ten year period, the said owner will be liable to pay the difference between the tax which the owner would have been liable to pay had the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* applied and the amount of relevant tax which should have been paid during the period the owner remained in the tonnage tax system. In case the amount of income tax which should have been paid during the period the owner remained in the tonnage tax system is less than the corresponding tonnage tax, no refund will be effected. (4) In case an owner of a foreign ship who has opted to be taxed under the tonnage tax system elects to withdraw, the said owner shall not be allowed to exercise the right to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law , until the whole period as referred to in subsection (1) above has elapsed.
Exemption from income tax of qualifying owners.	**8.** Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, no tax shall be charged, levied or collected unless otherwise provided by this Law: (a) upon the income derived from the operation of a qualifying ship in any relevant qualifying shipping activity by a qualifying owner; or (b) upon the dividend paid to the shareholders or the members of a qualifying owner, out of profits made from the operation of a qualifying ship in any relevant qualifying shipping activity or made from the sale of any qualifying ship and/ or any share, right and/or interest therein, and/ or upon the dividend paid to the shareholders and/or the members of a qualifying owner, out of its share in profits made from a relevant qualifying shipping activity, and/or made from the sale of any qualifying ship or share, right or interest therein; or (c) upon the dividend paid to the shareholder or member of any other corporation recipient of such dividend, and which originates directly or indirectly out of profits made by a qualifying owner from the operation of a qualifying ship in a relevant qualifying shipping activity, or made from the sale of any qualifying ship or share, right and/or interest therein; or (d) other than interest on moneys kept for investment, upon any interest earned on working capital and/or revenue earned by a qualifying owner from a relevant qualifying shipping activity on bank accounts , if such working capital or revenue is used to pay expenses for the financing and/ or the operation and/ or the

	maintenance of the ship; or (e) upon any income, dividend and/or profit made by a qualifying owner from the sale of any qualifying ship, and/or any share, right and/or interest therein, and/or made from the sale of any shares in a qualifying owner entity that is the owner of a qualifying ship.
	CHAPTER B- TONNAGE TAX FOR QUALIFYING OWNERS OF CYPRUS SHIPS
Tonnage tax for owners of Cyprus ships. *First Schedule.* *5 of 39(I)/2020.*	**9.**—(1) The owners mentioned in section 6 (1) (a) of this Law shall be subject to an annual tonnage tax which is calculated according to the rates prescribed in the First Schedule attached to this Law. For the purpose of calculating the tonnage tax, the net tonnage will be considered, initially as the one stated on the provisional certificate of registration of the ship, and after her measurement, the one on the certificate of tonnage. Provided that, in case of a Cyprus ship that uses mechanisms-equipment for the environmental preservation of the marine environment and the reduction of the effects of climate change, the amount of chargeable and leviable tonnage tax due by the owner according to the tonnage tax rates as provided in the First Schedule, may be reduced by up to thirty per cent (30%). Provided further that, the eligibility criteria for such reduction as well as the level of reduction may be prescribed from time to time by an Order of the Council of Ministers published in the Official Gazette of the Republic. (2) The manner according to which the tonnage tax for these owners shall be assessed, levied and collected, shall be prescribed by a Notification. For the purpose of calculating the payable tonnage tax, any fraction of the month shall be considered as a whole month. (3) Upon provisional registration of a ship as a Cyprus ship, there shall be charged, levied and collected a tonnage tax in respect of a six month period. In case a permanent registration follows, at the time of the permanent registration, the chargeable and leviable amount of tonnage tax, shall be charged, levied and collected until the end of the year during which the permanent registration takes place. In case of a payment of tonnage tax or any other amounts due in excess of the chargeable and leviable amount, the amount paid in excess shall be withheld and taken into account when discharging any future tonnage tax debts of the ship, provided that the shipowner consents to that. Provided that in the case of extension of the provisional registration for an additional period of three months, there shall be charged and levied tonnage tax for an additional period of three months. (4) In case of a direct permanent registration of the ship, there shall be charged, levied and collected the tonnage tax corresponding to the non-expired part of the year, during which the permanent registration of the ship takes place. (5) On ships of a foreign registry under the status of parallel registration in the Cyprus Register, tonnage tax shall be charged as in the case of the remaining Cyprus ships, which is paid in advance at the time the parallel registration is effected and covers the whole period for which the status of parallel registration applies and is not reimbursed even if the status is terminated earlier.

	(6) On Cyprus ships under the status of parallel registration in a foreign registry, tonnage tax shall be charged as in the case of the remaining Cyprus ships, which is paid in advance at the time the parallel registration is effected and covers the whole period for which the status of parallel registration applies. In case however, the ship is deleted from the Cyprus Register prior to the termination of her status of parallel registration, the fraction of the tonnage tax which is proportional to the period from her deletion and until the termination of the status of the parallel registration is not reimbursed . (7) In case of deletion of the ship from the Cyprus Register before the expiration of the year for which tonnage tax has been paid for, the amount paid in excess shall not be reimbursed to the owner. (8) The certificate of registration, either permanent, provisional, or parallel, shall not be issued before the payment of the chargeable and leviable amount of tonnage tax as provided in this section.
Additional fee for non-payment of tonnage tax in time by owners of Cyprus ships, debts etc.	**10.** — (1) If, under the provisions of section 9 of this Law, any amount of chargeable and leviable tonnage tax is not paid within the prescribed time, the ship shall be subject to an additional annual fee of ten per cent (10%) on the chargeable and leviable amount of tonnage tax for every year of the delay or part thereof, until the final discharge of the chargeable and leviable tax. (2) Payments effected towards settlement of debts by virtue of this Law shall be applied towards payment of debts in an order of seniority (in the order they became overdue) .
Tonnage tax in the case of lay- up, of owned Cyprus ships. *First Schedule .* *3(c) of 39(I)/2020.* *3(c) of 39(I)/2020.*	**11.** —(1) In case of a lay-up of a Cyprus ship either in the Republic or in a foreign country, for a continuous period of at least three months, the amount of chargeable and leviable tonnage tax due by the owner under the provisions of section 9 of this Law, shall be equal to twenty-five per cent (25%) of the tonnage tax rates as provided in the First Schedule attached to this Law , for as long as the lay-up of the ship lasts, provided that a lay-up certificate, issued either by the competent port authority of the Republic or by a consular officer thereof, or by the competent port authority of the country where the ship is laid-up, is submitted. (2) The lay-up certificate affirms the lay-up and its duration and is submitted to the Permanent Secretary : (a) within three months from the commencement date of the lay-up; and (b) within six months from the last day of the lay-up period of the ship, in accordance with the lay-up certificate of the ship. (3) The Permanent Secretary shall not accept : (a) a lay-up certificate submitted outside the prescribed time-limit; and (b) a lay-up certificate, submitted after the transfer or transmission of the ownership of the ship, or the deletion of the ship from the Cyprus register, if the lay-up period referred to in the certificate, relates to a period before the date of the transfer or transmission or deletion of the ship, unless the lay-up is reported before the transfer or transmission or the deletion and the certificate is produced under a deadline of one month from the date of the concerned action.

Tonnage tax in the case of inoperative owned Cyprus ships due to judicial arrest , piracy etc .	**12.** The provisions of section 11 apply *mutatis mutandis* to ships which are rendered inoperative for a period of at least three months due to their judicial arrest, or by act of piracy, or armed robbery, or by *force majeure*. In such case details as to the documentation required will be prescribed by a Notification.
	CHAPTER C- TONNAGE TAX FOR QUALIFYING OWNERS OF FOREIGN SHIPS
Tonnage tax for qualifying owners of Community ships. *First Schedule.* *6 of 39(I)/2020.*	**13.** —(1) The owners mentioned in section 6 (1)(b) of this Law shall be subject to an annual tonnage tax, which is calculated according to the rates prescribed in the First Schedule attached to this Law. Provided that in case of a Community ship that uses mechanisms- equipment for the environmental preservation of the marine environment and the reduction of the effects of climate change, the amount of chargeable and leviable tonnage tax due by the owner according to the tonnage tax rates as provided in the First Schedule, may be reduced by up to thirty per cent (30%). Provided further that, the eligibility criteria for such reduction as well as the level of reduction may be prescribed from time to time by an Order of the Council of Ministers published in the Official Gazette of the Republic. (2) Subject to the provisions of section 65 of this Law, the manner according to which the tonnage tax for these owners shall be assessed, levied and collected, shall be prescribed by a Notification. (3) For the purpose of calculating the tonnage tax, the net tonnage will be considered, as the one stated on the certificate of registration (certificate of nationality) of the ship, and where applicable on the International Tonnage Certificate.
Tonnage tax in the case of lay- up, judicial arrest , etc , of owned Community ships.	**14.** The tonnage tax reduction which is applied to qualifying owners of Cyprus ships as provided in sections 11 and 12 of this Law will be applied in the same manner with respect to qualifying owners of Community ships mentioned in section 6 (1)(b) of this Law.
Tonnage tax for qualifying owners of a fleet comprising Community and non-Community ships. *First Schedule.*	**15.** —(1) (a) Subject to the provisions of subsection (2) below , the owners mentioned in section 6 (1)(c) of this Law shall be subject to an annual tonnage tax, which is calculated according to the rates prescribed in the First Schedule attached to this Law. (b) Subject to the provisions of section 65 of this Law, the manner according to which the tonnage tax for these owners shall be assessed, levied and collected, shall be prescribed by a Notification. (c) For the purpose of calculating the tonnage tax, the net tonnage will be considered, as the one stated on the certificate of registration (certificate of nationality) of the ship, and where applicable on the International Tonnage Certificate. (2) At the time of opting to be taxed under the tonnage tax system as provided in section 7 - (a) at least sixty per cent (60%) of the fleet in terms of tonnage are Community ships; or

3(c) of 39(I)/2020.	(b) if the Community ships are less than sixty per cent (60%) of the fleet in terms of tonnage , the following conditions must be satisfied : (i) a share of the fleet are Community ships; and (ii) the Community flagged share in subparagraph (i) above shall remain unchanged or increase within a period of three years from the date of opting to be taxed under the tonnage tax system as provided in section 7 **;** and (iii) the commercial and strategic management of the fleet shall be carried out from the territory of the European Union /EEA. A Notification shall prescribe the method of calculation of the Community share of a fleet comprising Community ships and non – Community ships . (3) (a) Notwithstanding the provision of subsection (2) of this section, if the condition contained in subparagraph (ii) of paragraph (b) of subsection (2) above is not satisfied but all the other remaining conditions of said paragraph are satisfied, then any additional non-Community ships acquired by the said owner after the date of opting to be taxed under the tonnage tax system will not be considered as qualifying ships, unless the Community–flagged share of the global tonnage of all such qualifying owners eligible for tonnage tax in the Republic has not decreased on average within a period of three years after the date of opting to be taxed under the tonnage tax system. (b) A Notification shall prescribe the method of calculation of the community-flagged share of the global tonnage of all such qualifying owners eligible for tonnage tax in the Republic. (4) In the case of an owner of a fleet – (a) comprising Community ships and non – Community ships; (b) who does not satisfy the condition contained in subparagraph (ii) of paragraph (b) of subsection (2) above, and (c) whose non-Community ships, acquired after the date of opting to be taxed under the tonnage tax system, are finally considered to be qualifying ships in accordance with subsection (3) above, the said owner shall be subject to an increase of ten per cent (10%) on the total amount of tonnage tax payable for the non - Community ships in his fleet. (5) In addition to the assessment carried out at the time of opting to be taxed under the tonnage tax system as provided in subsection (2) above, the Permanent Secretary shall carry an additional assessment upon the expiry of the third year as from the aforementioned time of opting to be taxed under the tonnage tax system, and thereafter a further assessment every three years throughout the duration - period of validity of the present Law as set out in section 66(4) , in order for each assessment to verify that the qualifying owner continues to satisfy the conditions as set out in paragraphs (a) and (b) of subsection (2) above , and paragraph (a) of subsection (3) above.
Compliance of owned non-Community vessels with international and Community standards.	**16.** — (1) Qualifying owners of qualifying non-Community ships , forming part of a fleet, as provided in section 15 of this Law, are eligible for the tonnage tax system if these non-Community ships they own comply with relevant international standards and Community law requirements are fulfilled, in particular those relating to maritime security, safety, training and certification of seafarers, environmental performance and on-board working conditions. (2) The requirement in subsection (1) above shall be deemed as fulfilled by a

	qualifying owner for all the qualifying non- Community ships under his ownership , provided that such ships : (a) are classed with an inspection and survey organisation (classification society) which is recognised by the European Union in accordance with the relevant Community legislation in force from time to time; and (b) are duly certificated as appropriate in accordance with the international Conventions regulating maritime safety , security and protection of the environment which are in force at any time and (c) are manned by seafarers who are duly certificated in accordance with the STCW Convention . (3) In case of non - compliance with any of the requirements of this section, the provisions of section 54 of this Law shall apply.
Tonnage tax premium on non-Community ships listed by the Paris MOU. *3(c) of 39(I)/2020.*	**17.** — (1) Qualifying non-Community ships , forming part of a fleet, as provided in sections 6(2) and 15 of this Law, shall have their annual tonnage tax increased: (a) by thirty per cent (30%) if the flag that they are entitled to fly, appears in the Grey List of the *Paris MOU* ; (b) by sixty per cent (60%), if the flag that they are entitled to fly, appears in the Black List of the *Paris MOU.* (2) Provided that the decision whether a flag appears on the Grey List or the Black List of the *Paris MOU* will be taken by the Permanent Secretary on the basis of the relevant table contained in the Annual Report of the *Paris MOU* for the year preceding the year for which the tonnage tax is due.
	PART V - TAXATION OF CHARTERERS
	CHAPTER A- QUALIFYING CHARTERERS SUBJECT TO TONNAGE TAX & INCOME TAX EXEMPTION
Qualifying charterers.	**18.** —(1) For the purpose of this Law, the following shall be deemed to be qualifying charterers of ships who shall be subject to tonnage tax, provided that in all cases they comply with the ring-fencing requirement of section 47 of this Law : (a) the charterer of a Cyprus ship who has opted to be taxed under the tonnage tax system in accordance with section 19, provided that the said charterer is a tax resident and the chartered ship is a qualifying ship engaged in a qualifying shipping activity; or (b) the charterer of a Community ship who has opted to be taxed under the tonnage tax system, in accordance with section 19, provided that the said charterer is a tax resident and the chartered ship is a qualifying ship engaged in a qualifying shipping activity ; or

	(c) the charterer of a fleet comprising Community and non - Community ships who has opted to be taxed under the tonnage tax system in accordance with section 19, provided that the said charterer is a tax resident and the chartered ships of its fleet are qualifying ships engaged in a qualifying shipping activity, and provided further that the conditions contained in section 25 are satisfied; (2) For the purpose of this Part of the Law : (a) the term "fleet" means two or more ships chartered by the same person or persons or by companies directly or indirectly owned by such person or persons or by companies forming part of the same Group; (b) the term "Group" means two or more companies which have, directly or indirectly a holding (parent) / subsidiary relation or which are, directly or indirectly, subsidiaries of the same holding (parent) company; (c) the term "company" has the meaning attributed to it by *the Companies Law, Cap. 113*, as amended from time to time; (d) the terms "holding (parent)" and "subsidiary" have the meanings attributed to them by Article 1 of the Seventh Council Directive 83/349/EEC. (3) (a) Charterers who do not at any time meet the requirements of subsection (1) (a) (b) or (c) above as the case may be, shall be liable to pay tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic. (b) Provided further, that a charterer of a ship who has not opted to be taxed under the tonnage tax system, his ships will not be considered as qualifying ships.

Right of charterers to opt for tonnage tax .	**19.** —(1) Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, charterers of ships to which the provisions of section 18 (1) (a) or (b) or (c) apply, shall have the right to opt to be taxed in respect of any particular fiscal year with tonnage tax under the provisions of this Law. Such charterers, must remain in the tonnage tax system for at least ten years.
3(c) of 39(I)/2020. *3(d) of 39(I)/2020.*	(2) The option granted under subsection (1) above may be exercised by written application addressed to the Permanent Secretary with a copy to the Commissioner of Taxation at least thirty days prior to the 1st January of the relevant year. The Permanent Secretary will assess the application and its supporting documentation and will decide within thirty days whether the applicant qualifies and will communicate its decision to the applicant and to the Commissioner of Taxation. In case it is approved, the option shall be effective from the date of receipt of the application and shall continue to remain in force until it expires, or it is subsequently withdrawn by the charterer in the same manner. A notice of withdrawal given during the term of any year shall have effect on the 31st December of that year.
	(3) If a charterer of a ship who has opted to be taxed under the tonnage tax system elects to withdraw, otherwise than as a result of the termination of the charter , from the tonnage tax system prior to the expiration of the ten year period, the said charterer will be liable to pay the difference between the tax which the charterer would have been liable to pay had the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* applied and the amount of relevant tax which should have been paid during the period the charterer remained in the tonnage tax system. In case the amount of income tax which should have been paid during the period the charterer remained in the tonnage tax system is less than the corresponding tonnage tax , no refund will be effected.
	(4) In case a charterer of a ship who has opted to be taxed under the tonnage tax system elects to withdraw, the said charterer shall not be allowed to exercise the right to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law , until the whole period as referred to in subsection (1) above has elapsed.
Exemption from income tax of qualifying charterers.	**20.** Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, no tax shall be charged, levied or collected unless otherwise provided by this Law : (a) upon the income derived from the operation of a qualifying chartered ship in any relevant qualifying shipping activity by a qualifying charterer; or (b) upon the dividend paid to the shareholders or the members of a qualifying charterer, out of profits made from a relevant qualifying shipping activity, and/or upon the dividend paid to the shareholders or the members of a qualifying charterer, out of its share in profits made from a relevant qualifying shipping activity; or (c) upon the dividend paid to the shareholder or member of any other corporation recipient of such dividend, and which originates directly or indirectly out of profits made by a qualifying charterer from the operation of a qualifying chartered ship in a relevant qualifying shipping activity; or (d) other than interest on moneys kept for investment, upon any interest earned on working capital and/or revenue earned by a qualifying charterer from a relevant

	qualifying shipping activity on bank accounts, if such working capital and/or revenue is used to pay expenses arising out of the charter-party.
	CHAPTER B- TONNAGE TAX FOR QUALIFYING CHARTERERS OF CYPRUS SHIPS
Tonnage tax for qualifying charterers of Cyprus ships. *First Schedule.*	**21.** —(1) The charterers mentioned in section 18 (1)(a) of this Law shall be subject to an annual tonnage tax, which is calculated according to the rates prescribed in the First Schedule attached to this Law. (2) Subject to the provisions of section 65 of this Law, the manner according to which the tonnage tax for these charterers shall be assessed, levied and collected, shall be prescribed by a Notification. (3) For the purpose of calculating the tonnage tax, the net tonnage will be considered, initially as the one stated on the provisional certificate of registration of the ship, and after her measurement, the one on the certificate of tonnage.
Tonnage tax in the case of lay- up, judicial arrest , etc , of chartered Cyprus ships.	**22.** The tonnage tax reduction which is applied to qualifying owners of Cyprus ships as provided in sections 11 and 12 of this Law will be applied in the same manner with respect to qualifying charterers of Cyprus ships .
	CHAPTER C- TONNAGE TAX FOR QUALIFYING CHARTERERS OF FOREIGN SHIPS
Tonnage tax for qualifying charterers of Community ships. *First Schedule.*	**23.** —(1) The charterers mentioned in section 18 (1)(b) of this Law shall be subject to an annual tonnage tax, which is calculated according to the rates prescribed in the First Schedule attached to this Law. (2) Subject to the provisions of section 65 of this Law, the manner according to which the tonnage tax for these charterers shall be assessed, levied and collected, shall be prescribed by a Notification. (3) For the purpose of calculating the tonnage tax, the net tonnage will be considered, as the one stated on the certificate of registration (certificate of nationality) of the ship, and where applicable on the International Tonnage Certificate.
Tonnage tax in the case of lay- up, judicial arrest , etc , of chartered Community ships.	**24.** The tonnage tax reduction which is applied to qualifying owners of Cyprus ships as provided in sections 11 and 12 of this Law will be applied in the same manner with respect to qualifying charterers of Community ships mentioned in section 18 (1)(b) of this Law .
Tonnage tax for qualifying charterers of a fleet comprising Community and non-Community ships. *First Schedule.*	**25.** —(1) (a) Subject to the provisions of subsection (2) below, the charterers mentioned in section 18 (1)(c) of this Law shall be subject to an annual tonnage tax, which is calculated according to the rates prescribed in the First Schedule attached to this Law. (b) Subject to the provisions of section 65 of this Law, the manner according to which

	the tonnage tax for these charterers shall be assessed, levied and collected, shall be prescribed by a Notification. (c) For the purpose of calculating the tonnage tax, the net tonnage will be considered, as the one stated on the certificate of registration (certificate of nationality) of the ship, and where applicable on the International Tonnage Certificate. (2) At the time of opting to be taxed under the tonnage tax system as provided in section 19 : (a) at least sixty per cent (60%) of the fleet in terms of tonnage are Community ships; or (b) if the Community ships are less than sixty per cent (60%) of the fleet in terms of tonnage, the following conditions must be satisfied: (i) a share of the fleet are Community ships; and (ii) the Community flagged share in subparagraph (i) above shall remain unchanged or increase within a period of three years from the date of opting to be taxed under the tonnage tax system as provided in section 19 . (c) A Notification shall prescribe the method of calculation of the Community share of a fleet comprising Community ships and non – Community ships. (3) (a) Notwithstanding the provision of subsection (2) of this section, if the condition contained in subparagraph (ii) of paragraph (b) of subsection (2) above is not satisfied but the other remaining condition of said paragraph (b) is satisfied, then any additional non-Community ships chartered in and operated by the said charterer after the date of opting to be taxed under the tonnage tax system will not be considered as qualifying ships, unless the Community–flagged share of the global tonnage of all charterers eligible for tonnage tax in the Republic has not decreased on average within a period of three years after the date of opting to be taxed under the tonnage tax system. (b) A Notification shall prescribe the method of calculation of the community-flagged share of the global tonnage of all qualifying charterers eligible for tonnage tax in the Republic . (4) In the case of a charterer of a fleet : (a) comprising Community ships and non – Community ships, (b) who does not satisfy the condition contained in subparagraph (ii) of paragraph (b) of subsection (2) above, and (c) whose non-Community ships, chartered after the date of opting to be taxed under the tonnage tax system, are considered to be qualifying ships in accordance with subsection (3) above, the said charterer shall be subject to an increase of ten per cent (10%) on the total amount of tonnage tax payable for the non- Community ships in his fleet.
3(c) of 39(I)/2020.	(5) In addition to the assessment carried out at the time of opting to be taxed under the tonnage tax system as provided in subsection (2) above, the Permanent Secretary shall carry an additional assessment upon the expiry of the third year as from the aforementioned time of opting to be taxed under the tonnage tax system, and thereafter a further assessment every three years throughout the duration - period of validity of

	the present Law as set out in section 66(4), in order for each assessment to verify that the qualifying charterer continues to satisfy the conditions as set out in paragraphs (a) and (b) of subsection (2) above, and paragraph (a) of subsection (3) above.
Compliance of chartered non-Community vessels with international and Community standards.	**26.** — (1) Qualifying charterers of qualifying non-Community ships, forming part of a fleet, as provided in section 25 of this Law, are eligible for the tonnage tax system if these non-Community ships chartered in, comply with relevant international standards and Community law requirements are fulfilled, in particular those relating to maritime security, safety, training and certification of seafarers, environmental performance and on-board working conditions. (2) The requirement in subsection (1) above shall be deemed as fulfilled by a qualifying charterer for all the qualifying non-Community ships chartered in, provided that such ships: (a) are classed with an inspection and survey organisation (classification society) which is recognised by the European Union in accordance with the relevant Community legislation in force from time to time; and (b) are duly certificated as appropriate in accordance with the international Conventions regulating maritime safety, security and protection of the environment which are in force at any time; and (c) are manned by seafarers who are duly certificated in accordance with the STCW Convention. (3) In case of non - compliance with any of the requirements of this section, the provisions of section 54 of this Law shall apply.
Tonnage tax premium on non-Community ships listed by the Paris MOU. *3(c) of 39(I)/2020.*	**27.** — (1) Qualifying non-Community ships , forming part of a fleet, as provided in sections 18(2) and 25 of this Law , shall have their annual tonnage tax increased : (a) by thirty per cent (30%) if the flag that they are entitled to fly, appears in the Grey List of the *Paris MOU* ; (b) by sixty per cent (60%), if the flag that they are entitled to fly, appears in the Black List of the *Paris MOU* . (2) Provided that the decision whether a flag appears on the Grey List or the Black List of the *Paris MOU* will be taken by the Permanent Secretary on the basis of the relevant table contained in the Annual Report of the *Paris MOU* for the year preceding the year for which the tonnage tax is due.

	PART VI - TAXATION OF SHIP MANAGERS
	CHAPTER A- QUALIFYING SHIP MANAGERS SUBJECT TO TONNAGE TAX & INCOME TAX EXEMPTION
Qualifying ship managers.	**28.** —(1) For the purpose of this Law a ship manager shall be deemed to be a qualifying ship manager and shall be subject to an annual tonnage tax provided that the following conditions are satisfied: (a) the ship manager has opted to be taxed under the tonnage tax system in accordance with section 29, provided that the said ship manager is a tax resident providing ship management services to a qualifying ship or ships of any nationality (flag) ; and (b) the ship manager satisfies the requirements as set by sections 32, 33, 34 , 35 ; and (c) as the case may be and according to the type of the ship management services offered, the ship manager satisfies the special requirements as set by sections 36, 37 and 39 . (2) For the purpose of this Part of the Law: (a) the term "fleet" means two or more ships managed by the same person or persons or by companies directly or indirectly owned by such person or persons or by companies forming part of the same Group; (b) the term "Group" means two or more companies which have, directly or indirectly a holding (parent)/ subsidiary relation or which are, directly or indirectly subsidiaries of the same holding (parent) company; (c) the term "company" has the meaning attributed to it by *the Companies Law, Cap. 113*, as amended from time to time; (d) the terms "holding (parent)" and "subsidiary" have the meanings attributed to them by Article 1 of the Seventh Council Directive 83/349/EEC. (3) Ship managers who do not at any time meet the requirements of subsection (1) above as the case may be , will be liable to pay tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic. (4) (a) A ship manager who provides commercial management services, will not be considered as a qualifying ship manager for such services and will be liable to pay income tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009*. (b) Provided further, that a ship manager of a ship who has not opted to be taxed under the tonnage tax system , his ships will not be considered as qualifying ships.

Right of ship managers to opt for tonnage tax .	**29.** —(1) Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, ship managers to which the provisions of section 28 (1) apply, shall have the right to opt to be taxed in respect of any particular fiscal year with tonnage tax under the provisions of this Law. Such ship managers must remain in the tonnage tax system for at least ten years.
3(c) of 39(I)/2020. *3(d) of 39(I)/2020.*	(2) The option granted under subsection (1) above may be exercised by written application addressed to the Permanent Secretary with a copy to the Commissioner of Taxation at least thirty days prior to the 1st January of the relevant year. The Permanent Secretary will assess the application and its supporting documentation and will decide within thirty days whether the applicant qualifies and will communicate its decision to the applicant and to the Commissioner of Taxation. In case it is approved, the option shall be effective from the date of receipt of the application and shall continue to remain in force until it expires, or it is subsequently withdrawn by the ship manager in the same manner. A notice of withdrawal given during the term of any year shall have effect on the 31st December of that year. (3) If a ship manager who has opted to be taxed under the tonnage tax system elects to withdraw, otherwise than as a result of the termination of the ship management of all the ships under its management ,from the tonnage tax system prior to the expiration of the ten year period, he will be liable to pay the difference between the tax which the ship manager would have been liable to pay had the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* applied and the amount of relevant tax which should have been paid during the period the ship manager remained in the tonnage tax system. In case the amount of income tax which should have been paid during the period the ship manager remained in the tonnage tax system is less than the corresponding tonnage tax, no refund will be effected. (4) In case a ship manager who has opted to be taxed under the tonnage tax system elects to withdraw, the said ship manager shall not be allowed to exercise the right to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law, until the whole period as referred to in subsection (1) above has elapsed.
Exemption from income tax of qualifying ship managers.	**30.** Notwithstanding the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, no tax shall be charged, levied or collected unless otherwise provided by this Law: (a) upon the income of a qualifying ship manager, derived from the rendering of crew and/ or technical ship management services to any qualifying ship; or (b) upon the dividend paid to the shareholders or the members of a qualifying ship manager, out of profits made from the rendering of crew and/ or technical ship management services to any qualifying ship, or upon the dividend paid to the shareholders or the members of a qualifying ship manager, out of its share in profits made from the rendering of the relevant ship management services; or (c) upon the dividend paid to the shareholder or member of any other corporation recipient of such dividend, and which originates directly or indirectly out of profits made by a qualifying ship manager from the rendering of crew and/ or technical ship management services to any qualifying ship; or (d) other than interest on moneys kept for investment, upon any interest earned on working capital and/ or revenue earned by a qualifying ship manager from the provision of crew management services and/ or technical management services to any qualifying ship on bank accounts, if such working capital and/or revenue is used to pay expenses relevant to the management of those ships.

	CHAPTER B - TONNAGE TAX FOR QUALIFYING SHIP MANAGERS
Tonnage tax for qualifying ship managers. *Second Schedule.*	**31.** —(1) The ship managers mentioned in section 28 of this Law shall be subject to an annual tonnage tax with respect to the qualifying ships they manage , which unless otherwise provided in this Law, is calculated according to the rates prescribed in the Second Schedule attached to this Law. Subject to the provisions of section 65 of this Law, the manner according to which the tonnage tax for ship managers shall be assessed, levied and collected, shall be prescribed by a Notification. (2) For the purpose of calculating the tonnage tax, the net tonnage will be considered: (a) for Cyprus ships: initially the one stated on the provisional certificate of registration of the ship, and after her measurement, the one on the certificate of tonnage; (b) for foreign ships: the one stated on the certificate of registration (certificate of nationality) of the ship, and where applicable on the International Tonnage Certificate.
General conditions for qualifying ship managers.	**32.** —(1) Every qualifying ship manager must satisfy the following general conditions: (a) must have a fully-fledged office in the Republic and employ a sufficient in number and qualifications personnel; . (b) at least fifty one per cent (51%) of the total number of persons employed by the ship manager ashore must be citizens of a Member State. (2) For the purposes of this section, the term " employ a sufficient in number and qualifications personnel" : (a) With respect to a ship manager providing crew management services and technical management services : (i) and who is managing up to ten ships, means at least five persons, including one qualified marine engineer and one skilled crew manager; or (ii) and who is managing more than ten ships, means at least ten persons, including two qualified marine engineers and one skilled crew manager. (b) With respect to a ship manager providing crew management services only: (i) and who is managing up to ten ships, means at least five persons, including one skilled crew manager; or (ii) and who is managing more than ten ships, means at least ten persons, including two skilled crew managers.

	(c) With respect to a ship manager providing technical management services only: (i) and who is managing up to ten ships, means at least five persons, including one qualified marine engineer; or (ii) and who is managing more than ten ships, means at least ten persons, including two qualified marine engineers.

Economic link between the managed ships and the Community.	**33.** — (1) Qualifying ship managers may benefit from the tonnage tax system only with respect to qualifying ships entirely managed from the territory of any Member State**,** irrespective of whether their management is provided in-house by the ship owner or whether it is partially or totally outsourced to one or more ship managers. For the purposes of this section, the expression "qualifying ships entirely managed" means qualifying ships under crew management services and/or technical management services. (2) (a) The requirement of subsection (1) above is deemed to be fulfilled for every qualifying ship manager if at least two thirds (2/3) of the total tonnage of the qualifying ships managed in a given fiscal year is managed from the territory of any Member State. (b) Tonnage in excess of one third of the tonnage which is not entirely managed from the territory of any Member State is not eligible for the tonnage tax system : the relevant vessels representing the tonnage in excess shall cease to be qualifying ships and shall no longer be eligible to remain in the tonnage tax system for the specific fiscal year when the excess occurred, and the income of the qualifying ship manager derived from the management of those vessels will be taxed in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, as provided in section 51 (5) of this Law. (3) Non-compliance of a ship manager with paragraph (a) of subsection (2) above is treated as provided in paragraph (b) of same subsection (2) above and does not affect the eligibility of the qualifying ship manager as such, for the tonnage tax system. The provisions of section 44 of this Law on separate accounting should apply in this case. *3(c) of 39(I)/2020.* (4) Documentary evidence shall be submitted to the Permanent Secretary by a ship manager in order to demonstrate compliance with paragraph (a) of subsection (2) above. Details of such documentary evidence may be prescribed by a Notification.
Compliance of managed vessels with international and Community standards.	**34.** — (1) Qualifying ship managers providing crew management services and / or technical management services, as the case may be, are eligible for the tonnage tax system if all the ships and crews they manage comply with relevant international standards and Community law requirements are fulfilled, in particular those relating to maritime security, safety, training and certification of seafarers, environmental performance and on-board working conditions. (2) The requirement in subsection (1) above shall be deemed as fulfilled by a qualifying ship manager for all the Community ships under its management. (3) The requirement in subsection (1) above shall be deemed as fulfilled by a qualifying ship manager for all the non- Community ships under his management, provided that such ships : (a) are classed with an inspection and survey organisation (classification society) which is recognised by the European Union in accordance with the relevant Community legislation in force from time to time; and (b) are duly certificated as appropriate in accordance with the international Conventions regulating maritime safety, security and protection of the

3(c) of 39(I)/2020.	environment which are in force at any time; and (c) are manned by seafarers who are duly certificated in accordance with the STCW Convention. (4) For ships under management (Community or non-Community ships), flying a flag which , appears in the Black List of the *Paris MOU*, the requirement in subsection (1) above shall be deemed as fulfilled by a qualifying ship manager, provided the technical and crew management of every such ship is entirely performed from the territory of any Member State, irrespective of whether its management is provided in-house by the shipowner or whether it is partially or totally outsourced to one or more ship managers. Provided that the decision whether a flag appears on the Black List of the *Paris MOU* will be taken by the Permanent Secretary on the basis of the relevant table contained in the Annual Report of the *Paris MOU* for the year preceding the year for which the tonnage tax is due. (5) In case of non - compliance with any of the requirements of this section, the provisions of section 54 of this Law shall apply.
Flag share requirement (flag link) of managed vessels.	**35.** —(1) (a) Every qualifying ship manager must also satisfy the following requirement : (i) At the time of opting to be taxed under the tonnage tax system as provided in section 29, at least sixty per cent (60%) of the fleet managed by the ship manager in terms of tonnage are Community ships; or (ii) if at the date of opting to be taxed under the tonnage tax system as provided in section 29, the Community ships managed by the ship manager are less than sixty per cent (60%) of the fleet under his management in terms of tonnage, the following conditions must be satisfied: (A) a share of the fleet managed by the ship manager are Community ships; and (B) the Community flagged share shall remain unchanged or increase within a period of three years from the date of opting to be taxed under the tonnage tax system as provided in section 29; and (b) A Notification shall prescribe the method of calculation of the Community share of a fleet comprising Community ships and non – Community ships. (2) (a) Notwithstanding the provision of subsection (1) of section 28**,** if the condition contained in subparagraph (B) of subparagraph (ii) of paragraph (a) of subsection (1) above is not satisfied but the other remaining condition of said subparagraph (ii) is satisfied , then any additional non-Community ships managed by the said ship manager after the date of opting to be taxed under the tonnage tax system will not be considered as qualifying ships, unless the Community–flagged share of the global tonnage of all qualifying ship managers providing the same services eligible for tonnage tax in the Republic has not decreased on average within a period of three years after the date of opting to be taxed under the tonnage tax system. (b) A Notification shall prescribe the method of calculation of the Community– flagged share of the global tonnage of all qualifying ship managers providing the same services eligible for tonnage tax in the Republic.

3(c) of 39(I)/2020.	(3) In the case of a ship manager: (a) who does not satisfy the condition contained in subparagraph (B) of subparagraph (ii) of paragraph (a) of subsection (1) above**,** and (b) whose non-Community ships, acquired after the date of opting to be taxed under the tonnage tax system, are considered to be qualifying ships in accordance with subsection (2) above, the said ship manager will be subject to an increase of ten per cent (10%) on the total amount of tonnage tax payable for the non - Community ships in his fleet. (4) In addition to the assessment carried out at the time of opting to be taxed under the tonnage tax system as provided in subsection (1) above, the Permanent Secretary shall carry an additional assessment upon the expiry of the third year as from the aforementioned time of opting to be taxed under the tonnage tax system, and thereafter a further assessment every three years throughout the duration - period of validity of the present Law as set out in section 66(4) , in order for each assessment to verify that the qualifying ship manager continues to satisfy the conditions as set out in subparagraphs (i) and (ii) of paragraph (a) of subsection (1) above, and paragraph (a) of subsection (2) above.
Crew management in accordance with the Maritime Labour Convention 2006 requirements. *3(c) of 39(I)/2020.*	**36.** — (1) In order to be eligible for the tonnage tax system, a qualifying crew manager must ensure that on all ships under its crew management the provisions of the Maritime Labour Convention 2006, of the International Labour Organisation ("MLC"), are fully implemented by the seafarer's employer, be it the ship owner or the crew manager itself. In particular, a qualifying crew manager must ensure that the provisions of the MLC concerning: (a) the seafarer's employment agreement (Regulation 2.1 and Standard A2.1 of Title 2 of MLC); (b) compensation in the case of a ship's loss or foundering (Regulation 2.6 and Standard A2.6 of Title 2 of MLC); (c) provision of medical care (Regulation 4.1 and Standard A4.1 ; Regulation 4.3 and Standard A4.3 ; Regulation 4.4 of Title 4 of MLC); (d) shipowner´s liability including payment of wages in case of accident or sickness (Regulation 4.2 and Standard A4.2 of Title 4 of MLC); and (e) repatriation (Regulation 2.5 and Standard A2.5 of Title 2 of MLC), are properly applied. (2) (a) Notwithstanding the provisions of paragraph (d) of subsection (1) above, in case the shipowner´s liability (Regulation 4.2 and Standard A4.2 of Title 4 of MLC), is not covered by the ship owner with financial security to meet claims of contractual compensation in the event of the death or long-term disability of the seafarers due to an occupational injury, illness or hazard, then such financial security shall be provided by the crew manager. (b) A Notification shall prescribe the necessary documentary evidence to be submitted to the Permanent Secretary by a crew manager , and any other relevant prerequisites in order to ensure compliance with paragraph (a) above. (3) Every qualifying crew manager must also ensure that the international standards regarding hours of work and hours of rest provided for by the MLC are fully complied with.

Compliance mechanism with Maritime Labour Convention 2006 requirements. *3(c) of 39(I)/2020.* *3(c) of 39(I)/2020.* *3(c) of 39(I)/2020.*	**37.** — Compliance by a qualifying crew manager with the requirements of section 36 of this Law shall be monitored by the Permanent Secretary and such compliance will be required for all ships (Community and non-Community ships) under crew management, and compliance shall be ensured through the following mechanisms: (a) By the effect of appropriate private contractual arrangements concluded between the crew manager and the shipowner, and such arrangements being expressly reflected in the individual contracts of employment of the seafarers under crew management; the arrangements shall provide for the express obligation of the employer of the seafarers to fully comply with the requirements of section 36 of this Law ; (b) every qualifying crew manager shall submit at the beginning of every fiscal year a written Declaration to the Permanent Secretary, containing an express statement and undertaking that the private contractual arrangements referred to in paragraph (a) above have either been concluded or will be concluded for the specific fiscal year with regard to all vessels and crew members under its management. The standard model Form used for such Declaration shall be set by a Notification. (c) If it is established by the Permanent Secretary that, no appropriate contractual arrangements have been actually concluded and/ or that the requirements of section 36 of this Law have not been observed with regard to a specific vessel and its crew, the provisions of subsections (1), (2), (3) and (4) of section 54 of this Law shall apply. If upon completion of the audit carried out by the Permanent Secretary under subsection (3) of section 54 of this Law, it is found that a non-compliance still exists, then in such a case the non-compliant ship manager shall no longer be eligible to remain in the tonnage tax system and shall be liable to pay tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic from the date the non-compliance has been established. In such a case, the non-compliant ship manager, shall not be allowed to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law, for the next ten years, counted from the date of the decision adopted by the Permanent Secretary excluding the non-compliant ship manager from the tonnage tax system. Furthermore, in such a case the non-compliant ship manager commits an offence punishable under section 38 of this Law.
Criminal offences for crew managers . *3(c) of 39(I)/2020.*	**38.** —(1) Any crew manager admitted to the tonnage tax system who commits an act, or omits to perform a duty as provided by section 36 and section 37(c) of this Law shall be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding two years or to a fine not exceeding 20.000 euro or to both such sentences. The same offence is committed by any person who aids, abets, assists, counsels, incites or induces a crew manager to commit an act or to omit to perform a duty as provided by section 36 and section 37(c) of this Law. (2) The Permanent Secretary may compound any offence committed as provided in subsection (1) above and may also before the judgment of the Court, compound any proceedings thereunder on such terms and conditions as he, in his discretion, thinks proper, with full power to accept from the person liable, a payment in money not exceeding the maximum penalty the person is liable or alleged to have been liable under the provisions of subsection (1) above for such offence. (3) Notwithstanding the provision of subsection (1) above, where a crew manager is convicted of any offence provided in subsection (1) above, the said crew manager shall no longer be eligible to remain in the tonnage tax system and shall be liable to pay tax in accordance with the provisions of any Income Tax Law or any other Law in force in the Republic from the date the offence was committed as provided in the judgment of the court. In such a case, the said crew manager, shall not be allowed to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law, for

3(c) of 39(I)/2020.	the next ten years, counted from the date of the decision adopted by the Permanent Secretary excluding the non-compliant crew manager from the tonnage tax system.
Additional special conditions for ship managers performing technical management only.	**39.** A ship manager who performs technical management services only, must be certified under the ISM Code (Document of Compliance -DOC) by the competent authority of the flag States of the ships under its management and must be mentioned as the management company on the relevant Safety Management Certificates (SMC) of those vessels.
Tonnage tax premium on non-Community ships listed by the Paris MOU. *3(c) of 39(I)/2020.*	**40.** — (1) Qualifying non-Community ships, forming part of a fleet, as provided in sections 28(2) and 35 of this Law, shall have their annual tonnage tax increased: (a) by thirty per cent (30%) if the flag that they are entitled to fly, appears in the Grey List of the *Paris MOU* ; (b) by sixty per cent (60%), if the flag that they are entitled to fly, appears in the Black List of the *Paris MOU.* (2) Provided that the decision whether a flag appears on the Grey List or the Black List of the *Paris MOU* shall be taken by the Permanent Secretary on the basis of the relevant table contained in the Annual Report of the *Paris MOU* for the year preceding the year for which the tonnage tax is due.
	PART VII -TONNAGE TAX RING -FENCING PROVISIONS
Transactions not at arm´s length: between a person subject to tonnage tax and another person.	**41.** — (1) In relation to provision made or imposed as between a qualifying owner, qualifying charterer or qualifying ship manager mentioned in sections 6, 18 and 28 of this Law, as the case may be, and any other person by a transaction or series of transactions that: (a) falls in relation to the qualifying owner, qualifying charterer or qualifying ship manager, to be regarded as made in the course of, or with respect to its qualifying shipping activity, and (b) does not fall in relation to the other person in the course of, or with respect to a qualifying shipping activity carried on by that person, the provisions of section 33 (*Arm´s length principles*) of *the Income Tax Laws of 2002 to (No.4) of 2009* have effect. (2) For the purposes of this section, the terms used in this section have the meaning attributed to them by section 33 (*Arm´s length principles*) of *the Income Tax Laws of 2002 to (No.4) of 2009*. (3) Further details as to the effective implementation of the *Arm´s length principles* to the transactions regulated under the present section, shall be determined by Notification.
Transactions not at arm´s length: between a qualifying shipping activity of a person subject to tonnage tax and another non- qualifying	**42.**— (1) Section 33 (*Arm´s length principles*) of *the Income Tax Laws of 2002 to (No.4) of 2009* applies to any provision made or imposed between a qualifying shipping activity of a person subject to tonnage tax and another non- qualifying shipping activity carried out by the same person. (2) For the purposes of this section, the terms used in this section have the meaning attributed to them by section 33 (*Arm´s length principles*) of *the Income Tax Laws of*

shipping activity carried out by the same person.	*2002 to (No.4) of 2009.* (3) Further details as to the effective implementation of the *Arm´s length principles* to the transactions regulated under the present section, shall be determined by Notification.
Transactions not at arm´s length: duty to give notice .	**43.** — (1) All qualifying owners, qualifying charterers and qualifying ship managers, to whom the provisions of section 41 above apply, shall give notice to any person whose tax liability may be affected by the above provisions within 90 days after the date the qualifying owner, qualifying charterer or qualifying ship manager, as the case may be, is deemed to be or has opted to be taxed under the tonnage tax system in accordance with the provisions of this Law. (2) The notice must state that the said person is a qualifying owner, qualifying charterer or qualifying ship manager, as the case may be, who is subject to tonnage tax and should inform the person to whom it is given of the possible application of the provisions of section 33 (*Arm´s length principles*) of *the Income Tax Laws of 2002 to (No.4) of 2009*, in relation to transactions between the qualifying owner, qualifying charterer or qualifying ship manager, as the case may be, and the person to whom the notice is given.
Separate accounting. *3(d) of 39(I)/2020.* *4 of 1978* *23 of 1978* *41 of 1979* *164 of 1987* *159 of 1988* *196 of 1989*	**44.** — (1) Qualifying owners, qualifying charterers and qualifying ship managers, mentioned respectively in sections 6, 18 and 28 of this Law, who earn income from a qualifying shipping activity and at the same time earn income from a non – qualifying activity shall maintain such books and records so that it will be possible to determine the income subject to the tonnage tax system and the other income separately and prepare separate accounts. (2) Owners mentioned in section 6 (1) (a) of this Law, contravening or failing to comply with subsection (1) above shall lose their status as qualifying owner and shall be subject to the provisions of subsection (4) below, unless within 30 days from the date a non-compliance with the obligation mentioned above has been ascertained, the owner provides evidence to the satisfaction of the Commissioner of Taxation that such non-compliance has ceased to exist. The loss of the status of qualifying owner will be effective for each fiscal year for which the non-compliance was ascertained. In case the amount of income tax which should have been paid during the period the owner remained in the tonnage tax system is less than the corresponding tonnage tax, no refund will be effected. (3) Owners mentioned in section 6 (1) (b) or (c) of this Law, and charterers and ship managers mentioned respectively in sections 18 and 28 of this Law, contravening or failing to comply with the provisions of subsection (1) above shall lose their status as qualifying owner, qualifying charterer and qualifying ship manager and shall be subject to the provisions of subsection (4) below and the relevant provisions of sections 7(3),7(4) , 19(3), 19(4), 29(3) and 29(4), of this Law, shall apply *mutatis mutandis* . (4) Qualifying owners, qualifying charterers and qualifying ship managers mentioned in subsections (2) and (3) above, shall lose the benefit of the tax exemption as provided for by sections 8, 20 and 30 of this Law and shall be subject to the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* and *the Assessment and Collection of Taxes Law of 1978 to 2009* or any other law in force in the Republic, with respect to both the income derived from a non-qualifying shipping activity and the income derived from a qualifying shipping activity.

10 of 1991 *57 of 1991* *86(I) of 1994* *104 (I) of 1995* *80(I) of 1999* *153 (I) of 1999* *122(I) of 2002* *146 (I) of 2004* *214(I) of 2004* *106 (I) of 2005* *135 (I) of 2005* *72(I) of 2008* *46(I) of 2009.*	(5) Any loss arising from qualifying shipping activities under tonnage tax cannot be used for reducing the taxable income under *the Income Tax Laws of 2002 to (No.4) of 2009*, arising from the non-qualifying shipping activities, or any other activities within the fiscal year or carried forward and be set off against taxable income of future years arising from qualifying, non- qualifying shipping activities or any other activities under *the Income Tax Laws of 2002 to (No.4) of 2009*. (6) Tonnage tax cannot be a deductible expense for income tax purposes.
Fair share of expenditure.	**45.** — (1) No Tax deduction as provided in section 10 of *the Income Tax Laws of 2002 to (No.4) of 2009* is permitted in respect of the capital expenditure directly or indirectly attributable to activities under the tonnage tax. Tax deduction on capital expenditure on assets used both in tonnage tax activities and non-tonnage tax activities must be divided in proportion of the respective gross income of the two kinds of activities. (2) Only the part of interest expenses, exchange rate differences and any other expenses directly or indirectly attributable to non-tonnage tax activities will be tax deductible from income subject to tax under *the Income Tax Laws of 2002 to (No.4) of 2009*. Interest expenses, exchange rate differences and any other expenses attributable to both tonnage tax activities and non-tonnage tax activities must be divided in proportion of the respective gross income of the two kinds of activities.
"All or nothing" option.	**46.** — (1) Qualifying owners, qualifying charterers and qualifying ship managers, mentioned respectively in sections 7, 19 and 29 of this Law, when opting to enter the tonnage tax system must include in the tonnage tax all qualifying ships. (2) In case the qualifying owners, qualifying charterers and qualifying ship managers, mentioned in subsection (1) above, are tax resident in the Republic , and as part of a group of companies tax resident in the Republic, then all such qualifying companies, must enter the tonnage tax system as soon as one company of the group has opted to enter the tonnage tax system. (3) For the purposes of this section the expression "group of companies" has the meaning attributed to the term "group" section 6 (2) (b) of this Law.
Qualifying charterers : Minimal share of the fleet in ownership.	**47.** — (1) With regard to qualifying charterers mentioned in section 18 of this Law, the total net tonnage of ships chartered- in and included in the tonnage tax system may not exceed for more than three consecutive tax periods, 75% of the total net tonnage of all ships chartered- in or operated by a qualifying charterer and included in the tonnage tax system. (2) Notwithstanding subsection (1) above, the total net tonnage of ships chartered- in and included in the tonnage tax system may not exceed for more than three consecutive tax periods , 90% of the total net tonnage of all ships chartered- in or operated by a

	qualifying charterer and included in the tonnage tax system ,provided that every chartered-in ship is either: (a) registered in a maritime register of a Member State, or (b) its crew management and its technical management are carried out from the territory of a Member State. (3) For the purposes of this section, the expression: "ship chartered- in" means a vessel taken on a time charter basis or on a voyage charter basis or on a contract of affreightment; "ships operated by a qualifying charterer" means ships owned or chartered - in on bareboat conditions by a qualifying charterer.
	PART VIII – MISCELLANEOUS PROVISIONS ON TONNAGE TAX SYSTEM
Confirmation of qualifying status of owners of foreign ships, charterers and ship managers . *3(c) of 39(I)/2020.* *3(c) of 39(I)/2020.* *3(d) of 39(I)/2020.*	**48.** —(1) Notwithstanding the provisions of the Income Tax Laws of 2002 to (No.4) of 2009,qualifying owners of foreign ships, qualifying charterers and qualifying ship managers mentioned respectively in sections 6(1) (b) and (c), 18 and 28 of this Law , who have opted to be taxed under the tonnage tax system, shall be so taxed under the relevant provisions of this Law, provided that they have previously obtained a relevant confirmation of their qualifying status issued by the Permanent Secretary. (2) The confirmation issued by the Permanent Secretary according to subsection (1) above, shall be also copied by the Permanent Secretary to the Commissioner of Taxation of the Republic.
Record Book of qualifying owners, charterers and ship managers subject to tonnage tax. *3(c) of 39(I)/2020.* *3(c) of 39(I)/2020.*	**49.**—(1) For each one of the three categories of qualifying owners, qualifying charterers and qualifying ship managers mentioned in section 48, the Permanent Secretary shall keep a Record Book under the name " *Record Book for Tonnage Tax Taxation of qualifying owners of foreign ships , qualifying charterers and qualifying ship managers ",* wherein shall be entered: (a) the name and details of each qualifying entity/company; (b) the date of opting to be taxed under the tonnage tax system; (c) the date of the expiry of the option to be taxed under the tonnage tax system; (d) the total number and tonnage of relevant qualifying ships; (e) any other details that the Permanent Secretary deems expedient to be entered in the said Record Book. (2) The said Record Book is be kept under any form or type prescribed by a decision of the Permanent Secretary, including electronic form.

3(e) of 39(I)/2020.	(3) The said Record Book may be accessible by any authorised officer of the Tax Department of the Republic or by any other interested competent authority of the Republic.
List of non-tonnage Tax Ships. *3(c) of 39(I)/2020.*	**50.** — (1) For all the Cyprus ships and their registered owners not fulfilling the requirements of section 6(1) (a) of this Law, the Permanent Secretary shall keep a special List under the name "*List of non- tonnage Tax Cyprus Ships".* The Permanent Secretary shall also keep similar Lists for all owners, charterers and ship managers and of their ships who for any reason are not entitled or have not opted to enter the tonnage tax system, in accordance with the provisions of this Law. (2) In each special List mentioned in subsection (1) above there shall be entered the following: (a) the name and details of each relevant ship; *3(c) of 39(I)/2020.* (b) any other details that the Permanent Secretary deems expedient to be entered in the said Lists. The said special Lists may be kept under any form or type prescribed by a decision of the Permanent Secretary, including electronic form and may be accessible by any *3(c) of 39(I)/2020.* *3(e) of 39(I)/2020.* authorised officer of the Tax Department of the Republic or by any other interested competent authority of the Republic. (3) As the case may be, the owners, charterers and ship managers of ships contained in the said special Lists mentioned in subsection (1) above shall be liable to pay income tax in respect of those ships in accordance with the provisions of *the Income Tax Laws of 2002 to (No. 4) of 2009* or any other Law in force in the Republic.
Non-qualifying ships: exit from tonnage tax system.	**51.** — (1) For the purposes of this section, a "Tonnage Tax Company" or " TT Company" means any qualifying owner, qualifying charterer or qualifying ship manager, mentioned respectively in sections 7, 19 and 29 of this Law. (2) A TT Company remains in the tonnage tax system even when it no longer possesses and/or operates and/or manages (as the case may be) any of the ships included initially in the tonnage tax system. (3) A TT Company remains in the tonnage tax system even when all of the ships initially included in the tonnage tax system become non-qualifying ships, but the TT Company shall be liable to pay tax in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic, for the period the ships remained in the tonnage tax system as non - qualifying ships. (4) A TT Company shall no longer be eligible to remain in the tonnage tax system if any of its ships cease to be qualifying ships and by doing so the Community –tonnage share requirement as set out in sections 15 (2), 25(2) , and 35(1) (as the case may be), is no longer fulfilled. (5) Earnings generated by a TT Company from non-qualifying ships or from qualifying ships not engaged in a qualifying shipping activity **,** shall be taxed in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic.

Status changes in a tonnage tax company. *3(c) of 39(I)/2020.*	**52.** — (1) For the purposes of this section, a "Tonnage Tax Company" or " TT Company ", means any qualifying owner, qualifying charterer or qualifying ship manager mentioned respectively in sections 7**,** 19 and 29 of this Law. (2) In case of status restructuring of the TT Company, the TT Company and by extension the Acquiring Company or the newly founded Company shall be subject to re-assessment by the Permanent Secretary in order to verify whether the said Company satisfies the terms and conditions for accession to the tonnage tax system. Notice of the said status restructuring shall be given to the Permanent Secretary within 30 days from the date of status restructuring and the said re-assessment shall be carried out by the Permanent Secretary within 30 days from the date of the said notice. (3) If following the re-assessment mentioned in subsection (2) above, it is established that the TT Company and by extension the Acquiring Company or the newly founded Company satisfies the terms and conditions for accession to the tonnage tax system, the TT Company and by extension the Acquiring Company or the newly founded Company shall be deemed to have qualified for the tonnage tax system for the period until the expiry of the remaining ten-year term. (4) If following the re-assessment mentioned in subsection (2) above, it is established that the TT Company and by extension the Acquiring Company or the newly founded Company does not satisfy the terms and conditions for accession to the tonnage tax system, the said Company shall, as from the date of status restructuring, be taxed in accordance with the provisions of *the Income Tax Laws of 2002 to (No.4) of 2009* or any other Law in force in the Republic. In this case, the provisions of sections 7(3), 19(3), and 29(3) of this Law shall apply *mutatis mutandis*. *3(c) of 39(I)/2020.* *3(d) of 39(I)/2020.* (5) The Permanent Secretary informs both the Commissioner of Taxation and the Company concerned of the conclusions of the re-assessment carried out by him.
Supplementary assessment and re-payment of tonnage tax. *3(c) of 39(I)/2020.*	**53.** Subject to the provisions of section 65 of this Law, if it becomes necessary, for any reason, to make a supplementary assessment of tonnage tax in respect of any year, or if a qualifying owner, charterer, or ship manager, as the case may be, has paid in respect of any year, a tonnage tax in excess of the amount chargeable and leviable under the provisions of this Law, the Permanent Secretary may, within a period of six years from the termination of the year concerned, proceed to make a supplementary assessment with a view to collect the unpaid tonnage tax fixing to that effect a reasonable time period or, as the case may be, in order to refund any amount paid in excess.

Sanctions for non-compliance by qualifying, owners , charterers , ship managers. *3(c) of 39(I)/2020.*	**54.** —(1) Non-compliance with any of the provisions of section 16, section 26, section 34, section 36 and section 37(c) of this Law, as the case may be, by one or more qualifying vessels within the tonnage tax system will result in an immediate investigation by the Permanent Secretary in order to establish the extent of the non-compliance. (2) When a non-compliance is established by the Permanent Secretary under subsection (1) above, the Permanent Secretary shall impose on the qualifying owner,

3(c) of 39(I)/2020.	charterer or ship manager, as the case may be (non-compliant person) for each non-compliant ship an administrative fine in accordance with the provisions of section 57 (1), (2) and (3) and the non-compliant person, shall be required to rectify the non-compliance within forty five days.
3(c) of 39(I)/2020.	(3) Rectification of the non-compliance within the said period of forty five days can be verified when documentary evidence as requested by the Permanent Secretary has been submitted. The Permanent Secretary retains the power to investigate further and carry out an audit if the documentary evidence produced is not considered satisfactory. Such an audit should be carried out and completed within thirty days from the date of submission of the documentary evidence.
3(c) of 39(I)/2020.	(4) If upon completion of the audit carried out by the Permanent Secretary under subsection (3) above, it is found that a non-compliance still exists, then an additional daily administrative fine shall be imposed on the non-compliant person for each non-compliant ship according to the provisions of section 57 (4) of this Law, from the expiry of the initial period of the forty five days given for the rectification until the day the non-compliance is rectified .
3(c) of 39(I)/2020.	(5) Notwithstanding the provisions of subsections (1), (2), (3) and (4) above, where the non-compliance established by the Permanent Secretary under subsection (1) above is deemed by the Permanent Secretary to be extensive and/ or serious, the Permanent Secretary may decide that the owner, charterer or ship manager, as the case may be, shall no longer be eligible to remain in the tonnage tax system and shall be liable to pay tax in accordance with the provisions of any Income Tax Law or any other Law in force in the Republic from the date the extensive and/ or serious non-compliance is established. In such a case, the owner, charterer or ship manager, as the case may be, shall not be allowed to opt to be taxed in respect of any particular year with tonnage tax under the provisions of this Law, for the next ten years, counted from the date of the decision adopted by the Permanent Secretary excluding the non-compliant owner, charterer or ship manager, as the case may be, from the tonnage tax system.
7 of 39(I)/2020.	**PART IX - TAX EXEMPTIONS FOR SEAFARERS OF COMMUNITY SHIPS**
Exemption from income tax for seafarers of Community ships. *8 of 39(I)/2020.*	**55.** – (1) Notwithstanding the provisions of *the Income Tax Laws* or any other Law in force in the Republic, no tax shall be charged, levied or collected upon the salary or other related benefits from the employment of eligible seafarers: (i) who are liable to income tax in the Republic, and (ii) who are employed on board a Community ship which is a qualifying ship, engaged in maritime transport. (2) For the purposes of this section the term "eligible seafarers" means: (a) seafarers who are citizens of a Member State in the case they are employed on board vessels, including ro-ro ferries, providing scheduled passenger services between ports of Member States ; (b) seafarers who are citizens of a Member State or a non - Member State in all other cases.

	PART X -MISCELLANEOUS PROVISIONS
Charge for claims of the Republic.	**56.** The claims of the Republic for fees, dues, or tonnage taxes chargeable and leviable under the provisions of sections 4 and 9 of this Law respectively, constitute a charge on the ship, which are satisfied in preference against the other creditors, but follow in rank the last mortgage upon them.
Power of the Permanent Secretary to impose an administrative fine . *3(c) of 39(I)/2020.*	**57.** — (1) (a) As provided by section 54 (2) of this Law, and notwithstanding whether a case of criminal liability arises under this Law or any other law, the Permanent Secretary shall have the power to impose on the non-compliant person for each non-compliant ship an administrative fine between one thousand seven hundred euro (€1. 700) and eight thousand five hundred euro (€8. 500)**,** depending on the seriousness of the non-compliance.
3(c) of 39(I)/2020.	(b) The Permanent Secretary before imposing any administrative fine, informs in writing the non-compliant person of his intention to impose the administrative fine, informing him about the reasons for which he intends to act in this way and providing the non-compliant person with the right to submit a written protest within a peremptory time limit of fifteen days, from the date of informing him in writing of the said intention.
3(c) of 39(I)/2020. *3(a) of 39(I)/2020.*	(2) The administrative fine is imposed on the non-compliant person by a reasoned decision of the Permanent Secretary confirming the non-compliance. The Permanent Secretary shall notify the non-compliant person of its decision imposing the administrative fine. The Permanent Secretary informs accordingly the non-compliant person of its right of recourse to the Administrative Court under Article 146 of the Cyprus Constitution and to an hierarchical recourse before the Deputy Minister under section 58 of this Law.
3(a) of 39(I)/2020. *3(c) of 39(I)/2020.*	(3) The amount of the administrative fine imposed by virtue of subsection (2) above shall be calculated in each case on the basis of indicative directions issued by the Deputy Minister, and published in the Official Gazette without thereby limiting, within the scope of the directions, the discretionary power of the Permanent Secretary, which confirms the particular non-compliance, to decide freely on the basis of the actual facts of each case.
3(c) of 39(I)/2020.	(4) Notwithstanding the provisions of subsection (1) above, the Permanent Secretary shall also have the power in accordance with the provisions of section 54(4) to impose on the non-compliant person an additional daily administrative fine of fifty euro (€50) for each non-compliant ship per day of non-compliance. In this case, paragraph (b) of subsection (1) and subsection (2) of this section, shall apply *mutatis mutandis.*
9 of 39(I)/2020.	(5) With the exception of the provisions of subsection (4) above, the provisions of this section providing for the imposition of an administrative fine shall also apply in cases of late submission of a relevant tonnage tax declaration (declaration of the object of the tax) in breach of the prescribed time period, as such time period is prescribed from time to time by a Notification issued pursuant to the provisions of sections 13 (2), 15 (1) (b), 21 (2), 23 (2), 25 (1) (b) and 31 (1) of this Law.
Hierarchical recourse against a decision imposing an administrative fine . *3(a) of 39(I)/2020.*	**58.** — (1) Any person on whom an administrative fine has been imposed by virtue of section 57 shall have the right to file an hierarchical recourse with the Deputy Minister against a decision of the Permanent Secretary imposing an administrative fine, within 30 days from the date of notification of the decision.

3(c) of 39(I)/2020.	(2) The hierarchical recourse, provided for in subsection (1), shall not suspend the execution of the decision.
3(a) of 39(I)/2020.	(3) In case an hierarchical recourse is filed in accordance with subsection (1), the Deputy Minister shall examine the recourse and has the power to hear the person filing the hierarchical recourse or to give him the opportunity to express further in writing the reasons on which the hierarchical recourse is based.
3(a) of 39(I)/2020. *3(b) of 39(I)/2020.*	(4) The Deputy Minister may entrust to one or more officers of his Shipping Deputy Ministry the examination of matters relating to the hierarchical recourse and to demand that they submit their conclusion to such examination prior to the issue of his decision on such hierarchical recourse.
3(a) of 39(I)/2020.	(5) The Deputy Minister shall, within a time limit of 10 days from the filing of the hierarchical recourse, issue a decision on the hierarchical recourse and communicate this in writing to the person filing the hierarchical recourse by virtue of which: (a) he accepts in whole or in part or rejects the hierarchical recourse, and (b) as the case may be, he declares null and void or amends or confirms or substitutes the challenged decision.
3(a) of 39(I)/2020.	The decision of the Deputy Minister on the hierarchical decision is deemed executed upon its communication to the person filing the hierarchical recourse and informs the latter of his right to recourse before the Administrative Court in accordance with Article 146 of the Constitution.

Collection of the administrative fine. *3(a) of 39(I)/2020.*	**59.** — (1) In case of failure to pay the administrative fine imposed under section 57 or under section 58 the Competent Authority shall institute court proceedings and collect the amount due as a civil debt owed to the Republic. (2) An administrative fine imposed in accordance with section 57 or section 58 constitutes a charge on the relevant ship, which is satisfied in priority over any creditors, but follows in rank after each mortgage. (3) In case where an administrative fine, imposed by virtue of this Law, is successfully challenged either before the Deputy Minister in accordance with section 58 or before the Administrative Court in accordance with Article 146 of the Constitution, the following shall apply: (a) subsections (1) and (2) do not apply in relation to such administrative fine; (b) the Competent Authority reimburses any sum of the aforementioned administrative fine paid, to the person who had paid such fine.
Power of the Permanent Secretary to refuse to proceed with actions. *3(c) of 39(I)/2020.*	**60.** The Permanent Secretary may refuse, upon application by the owner, the charterer or the ship manager of a ship, to make any act, to issue certificates, to grant permits and/or exemptions, under the provisions of this Law or any other law existing at the time in the Republic, until the taxes, fees and dues chargeable and leviable under the provisions of this Law and claimed by the Republic, are paid.
Language of documents referring to ships. *3(a) of 39(I)/2020.* *3(c) of 39(I)/2020.*	**61.** All the documents, required to be submitted to the Deputy Minister or the Permanent Secretary or the Competent Authority under the provisions of this Law or any other law existing at the time in the Republic**,** shall be admissible provided that they are drawn up in a language comprehensible to the competent officer under the law, for their acceptance.
Regulations.	**62.** The Council of Ministers has power to make Regulations published in the Official Gazette of the Republic in order to regulate any matter which under this Law needs or is capable of receiving regulation.
Prescription of forms. *3(c) of 39(I)/2020.*	**63.** The prescription of the forms necessary for the purposes of this Law, shall be made by a decision of the Permanent Secretary.
Repeal. *38 (I) of 1992* *29(I) of 1995* *63(I) of 1999* *73(I) of 1999* *12(I) of 2003* *166(I) of 2004* *73(I) of 2007.*	**64.** — (1) By virtue of this Law, *the Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007* are hereby repealed. (2) Qualifying ship managers under this Law, who prior to the date of entry into force of this Law were taxed with tonnage tax by virtue of the provisions of section 5A of the aforementioned repealed *Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007*, are obliged to reconfirm their option to be taxed under the new tonnage

	tax system according to the provisions of section 29 of this Law.
Savings. *Gazette III(I): 29.12.2000* *(P.I. 395/2000).* *167(I) of 2006.*	**65.** —(1) Notwithstanding section 64 (1) of this Law, *the Merchant Shipping (Taxation of Ship management Services) Regulations of 2000*, issued under the Laws repealed by the aforementioned said section, shall continue to be in force until their full repeal and replacement by a Notification: (a) and they shall be deemed as issued by virtue of this Law; (b) with the exception of the definitions of the terms "commercial management" "management services relating to the supply of crew" and "technical management" which are deleted from Regulation 2 of said Regulations; (c) provided that Regulation 12 of said Regulations is subject to the provisions of the *Uniform Demurrage Public Interest Law of 2006*; and (d) provided that they shall be construed and apply *mutatis mutandis* for the manner in which the annual tonnage tax for the owners and charterers as provided respectively in sections 13, 15, 21, 23, 25 and 53 of this Law, shall be assessed, levied and collected. (2) Notwithstanding section 64 (1) of this Law, the fees as provided in the First Schedule of the repealed Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007, shall continue to be in force until their full repeal and replacement by the fees adopted pursuant to section 4 of this Law.
Entry into force of this Law. *10 of 39(I)/2020.*	**66.** — (1) This Law shall come into force as from the fiscal year 2020, starting on the 1st January 2020. (2) This Law shall be valid until the 31st December 2029. The said validity period of this Law may be extended by virtue of a decision of the Council of Ministers, published in the Official Gazette of the Republic, provided that the prior relevant approval of the European Commission is obtained.

FIRST SCHEDULE

(Sections 9, 11, 13, 15 21, 23 and 25)

TONNAGE TAX RATES FOR QUALIFYING OWNERS AND CHARTERERS OF CYPRUS AND FOREIGN SHIPS

1. On each qualifying ship of qualifying owners (ship-owners) and charterers there shall be charged [3] , levied and collected an annual tax calculated on the basis of the ship's net tonnage as follows :

(a) From zero to 1.000 units of net tonnage, for every 100 units of net tonnage there shall be charged, levied and collected a tonnage tax of € 36,50.

(b) For every additional 100 units of net tonnage from 1.001 to 10.000 units , there shall be charged, levied and collected a tonnage tax of € 31,03.

(c) For every additional 100 units of net tonnage from 10.001 to 25.000 units, there shall be charged, levied and collected a tonnage tax of € 20,08.

(d) For every additional 100 units of net tonnage from 25.001 to 40.000 units, there shall be charged, levied and collected a tonnage tax of € 12,78.

(e) For every additional 100 units of net tonnage in excess of 40.000 units, there shall be charged, levied and collected a tonnage tax of € 7,30.

Any residual tonnage of less than 100 units of net tonnage shall be charged proportionally.

[3] Consolidation Note : Sample calculation of the annual tonnage tax for a 19.538 net tonnage vessel : Net tonnage of each vessel is broken down into 100 units of net tonnage increments and specific annual rates are applied to each increment :

1.000 NT : 1000/100 = 10 x € 36,50 = € 365
9.000 NT : 9000/100 = 90 x € 31,03 = € 2792,7
9.500 NT : 9500/100 = 95 x € 20,08 = € 1907,6
38 NT : 38/100= 0.38 x € 20,08 = € 7,63

Annual tonnage tax due = € 5072,93

SECOND SCHEDULE

(Section 31)

TONNAGE TAX RATES FOR QUALIFYING SHIP MANAGERS OF CYPRUS AND FOREIGN SHIPS

On each qualifying ship of a qualifying ship manager there shall be charged [4], levied and collected an annual tax calculated on the basis of the ship's net tonnage as follows:

(a) From zero to 1.000 units of net tonnage, for every 400 units of net tonnage there shall be charged, levied and collected a tonnage tax of € 36,50 .

(b) For every additional 400 units of net tonnage from 1.001 to 10.000 units , there shall be charged, levied and collected a tonnage tax of € 31,03 .

(c) For every additional 400 units of net tonnage from 10.001 to 25.000 units, there shall be charged, levied and collected a tonnage tax of € 20,08.

(d) For every additional 400 units of net tonnage from 25.001 to 40.000 units, there shall be charged, levied and collected a tonnage tax of € 12,78 .

(e) For every additional 400 units of net tonnage in excess of 40.000 units, there shall be charged, levied and collected a tonnage tax of € 7,30.

Any residual tonnage of less than 400 units of net tonnage shall be charged proportionally.

[4] Consolidation Note : Sample calculation of the annual tonnage tax for a 19.538 net tonnage vessel : Net tonnage of each vessel is broken down into 400 units of net tonnage increments and specific annual rates are applied to each increment :

1.000 NT : 1000/400 = 2.5 x € 36,50 = € 91.25
9.000 NT : 9000/400 = 22.5 x € 31,03 = € 698,17
9.500 NT : 9500/400 = 23.75 x € 20,08 = € 476,9
38 NT : 38/400= 0.095 x € 20,08 = € 1,90

Annual tonnage tax due = € 1268,22