

THE MERCHANT SHIPPING (FEES AND TAXING PROVISIONS) LAW OF
2010 (LAW 44 (I)/2010)

The Tonnage Tax (Towage and Dredging Activities) Notification of 2010¹

(Notification by virtue of paragraph (b) (i) of the definition “maritime transport” of section 2 of the Law)

44(I) of 2010.

The Director of the Department of Merchant Shipping of the Ministry of Communications and Works, exercising the powers vested upon him under paragraph (b) (i) of the definition maritime transport of section 2, of the Merchant Shipping (Fees and Taxing Provisions) Law of 2010, issues the following Notification:

Short title.

1. This Notification shall be cited as the Tonnage Tax (Towage and Dredging Activities) Notification of 2010.

Interpretation.

2. —(1) In this Notification —

“AHTS vessels” mean the anchor handling tug supply (AHTS) vessels which constitute a type of support vessel used for the oil industry, but they differ from the platform supply vessels in that the AHTS vessels are fitted with winches to provide towage services;

“dredger” means a vessel specifically constructed or converted for lifting material from the seabed by means of hoppers, suction or other mechanical devices, with main mission the dredging of channels for maintenance of navigation or for dredging- up sand and aggregate from the seabed for use by the construction industry or for land reclamation;

“Law” means the Merchant Shipping (Fees and Taxing Provisions) Law of 2010;

¹ **Editorial Note** : Published in the Official Gazette of the Republic of Cyprus No. 4444, Supplement III (I) , dated 30.7.2010. [Includes the **corrigendum** published in the Official Gazette of the Republic of Cyprus No. 4451, Supplement III (I) , dated 17.9.2010]. This is an “unofficial” translation into English prepared by the Department of Merchant Shipping and does not intend to replace any translation prepared by the Law Commissioner’s Office.

*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 Notification.

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“tonnage tax” means the annual tax imposed pursuant to the relevant provisions of the Law;

“Tonnage Tax company” or “TT company” means any qualifying owner, qualifying charterer or qualifying manager of a ship, mentioned respectively in sections 6, 18 and 28 of the Law which is admitted to the tonnage tax system.

“wreck” includes the following when found in the sea or any tidal water or the shore thereof; that is to say :

- (a) goods which have been cast into the sea and sink and remain under water;
- (b) goods which have been cast or fall into the sea and remain floating on the surface;
- (c) goods which are sunk in the sea, but are attached to a floating object in order that they may be found again;
- (d) goods which are thrown away or abandoned, and any sunken ship .

(2) Terms contained in this Notification and not otherwise defined herein shall have the meaning attributed to such terms in the Law.

*Qualifying
towage
activities.*

3. —(1) An ocean going tug qualifies for tonnage tax, provided that ² during the length of a particular fiscal year, it spends at least 50% of its yearly operational time in towage or salvage activity at sea .

(2) Any waiting time spent by a tug for the purposes of a particular activity is treated as time during which the tug is used for that activity.

(3) An ocean going tug qualifies for tonnage tax, provided that it is a Community ship and it is not used exclusively:

- i) to assist ships or other floating structures into and out of a port or for their movement within the confines of a port area ;
- ii) to tow barges on inland waters or in estuaries ;

² Editorial Note : Wording as per **corrigendum** published in the Official Gazette of the Republic of Cyprus No. 4451, Supplement III (I), dated 17.9.2010.

Tugs for the raising of wrecks .

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
41(I) of 2010.

AHTS vessels.

Documents required in relation to qualifying towage activities.

Schedule I.

4. —(1) A tug used for the purposes of raising wrecks , shall be regarded as a qualifying ship.

(2) Any profits from the sale of salvaged goods, abandoned by their owner , will not be subject to tonnage tax and will be taxed by virtue of the Income Tax Laws of 2002 to 2010. In such cases separate accounting is required as per the provisions of section 44 of the Law.

5. — (1) The question whether an AHTS vessel may qualify and whether it may be considered as a tug, will be determined in accordance with the true facts of each particular case and subject to the provisions of subparagraphs (2) and (3) below.

(2) In case an AHTS vessel is acting, for any period, as a tug at sea, the said vessel must be a Community ship as defined by the provisions of the Law. Once the AHTS vessel has been in use in any towage activities, the requirement that the vessel should be a Community ship will apply for all the activities on which the vessel is subsequently engaged.

(3) An AHTS vessel used for the towage of an Oil Rig at sea, may qualify for tonnage tax.

6.—(1) For the purposes of the above paragraphs 3 to 5 of this Notification, and in particular for the purposes of complying with the relevant qualifying requirements, the Director shall request at the end of every fiscal year from each interested TT company, to submit a written Statement in accordance with the standard model designated in Schedule I of the present Notification, which shall confirm that the tug satisfied the relevant criteria and was engaged in qualifying towage activities.

(2) The Director may from case to case also request that the TT company submits additional information, such as:

- a) a picture or the construction plans of the tug;
- b) extracts from the Log Book of the tug;
- c) extracts from the relevant internal records of the TT company;

- d) confirmations by port authorities on the activities of the tug;
- e) contracts regarding the assumption of qualifying towage activities;
- f) any other relevant information which the Director may deem necessary.

Qualifying dredging activities.

7.—(1) A dredger must satisfy the following requirements, in order to qualify for tonnage tax:

- a) to be self propelled;
- b) to be constructed, or adapted for the carriage of sand or aggregate from the seabed;
- c) to be a Community ship, as defined by the provisions of the Law;
- d) to spend at least 50% of its yearly operational time as a qualifying dredger in the carriage of the dredged goods .

In such a case only the leg of the carriage of the dredged goods shall be considered as a qualifying activity for tonnage tax, and separate accounting for maritime transport activities is required as per the provisions of section 44 of the Law.

(2) The operational time of a dredger includes travelling to the dredge site, winning the dredged material and subsequently transporting it for unloading. The dredge site must be at sea.

Operation, by a company admitted to the tonnage tax system, of a dredger not constituting a Community ship.

8. —When a TT company admitted in the tonnage tax system undertakes the operation of a dredger which is not a Community ship, the said company shall have a time-limit of three months from the date on which it undertook the operation of the dredger for it to become a Community ship, otherwise it shall be treated as a non - qualifying dredger for tonnage tax for the whole period during which it was operated by such TT company.

Dredgers admitted in the tonnage tax system ceasing to be Community ships.

9. If a dredger, admitted in the TT system, ceases to be a Community ship, then it shall cease to be treated as a qualifying ship and the provisions of sections 50 and 51 of the Law shall apply.

*Documents
required
in relation to
qualifying
dredging
activities.*

Schedule II.

10. — (1) For the purposes of the above paragraphs 7 to 9 of this Notification, and in particular for the purposes of complying with the relevant qualifying requirements, the Director shall request at the end of every fiscal year from each interested TT company to submit a written Statement in accordance with the standard model designated in Schedule II of the present Notification, which shall confirm that the dredger satisfied the relevant criteria and was engaged in qualifying dredging activities.

(2) The Director may from case to case also request that the TT company submits additional information, such as:

- a) a picture or the construction plans of the dredger;
- b) extracts from the Log Book of the dredger;
- c) extracts from the relevant internal records of the TT company;
- d) confirmations by port authorities on the activities of the dredger;
- e) contracts regarding the assumption of qualifying dredging activities;
- f) any other relevant information which the Director may deem necessary.

*Qualifying ship
managers : qualifying
tugs and dredgers .*

11. In the case of qualifying ship managers as provided in section 28(1) of the Law :

(a) when the qualifying ship under management is an ocean going tug , then the relevant prerequisite mentioned in paragraph 3 (1) of the present Notification shall not apply .

(b) when the qualifying ship under management is a dredger, then the relevant prerequisite mentioned in paragraph 7 (1) d) of the present Notification shall not apply .

SCHEDULE I

STATEMENT RELATING TO QUALIFYING TOWAGE ACTIVITIES FOR
TONNAGE TAX

To: Director of the Department of Merchant Shipping

Republic of Cyprus

Limassol

I, the undersigned¹ (identity no. /
passport no.) from² legally
representing the company³ acting in the capacity
of [**Director/ Secretary/ Managing Director/ Authorised Representative**]⁴, which
[is already admitted to the Cyprus Tonnage Tax system/ applies for its admission
to the Cyprus Tonnage Tax system]⁵ in its capacity as [**owner of a Cyprus ship/
owner of a foreign ship/ charterer/ ship manager**]⁶, hereby confirm that the [**tug/
AHTS vessel**]⁷⁸, registered under the EU/EEA flag of
.....⁹, with IMO no.¹⁰ and Call Sign
.....¹¹ was engaged during the fiscal year¹² in
qualifying towage activities as laid down by the relevant provisions of the Merchant
Shipping (Fees and Taxing Provisions) Law of 2010 and of the Tonnage Tax (Towage
and Dredging Activities) Notification of 2010.

¹ Name and Surname of physical person making the Statement.

² Address, residence of physical person making the Statement.

³ Name of qualifying shipping company (ship owner, charterer, ship manager respectively).

⁴ Insert as appropriate.

⁵ Insert as appropriate.

⁶ Insert as appropriate.

⁷ Insert as appropriate.

⁸ Name of tug/vessel.

⁹ Name of EU/EEA Member State under the flag of which the vessel is registered.

¹⁰ IMO no. of tug/vessel.

¹¹ Call Sign of tug/vessel.

¹² Insert relevant fiscal year.

I, further, confirm that all of the above information is true and correct and accurately corresponds with the entries in the Log books and other relevant records and documents maintained by the company¹³ in relation to the operation of the [**tug/ AHTS vessel**]¹⁴¹⁵, and that I acknowledge that any false or inaccurate Statement may constitute a criminal offence by virtue of the Cyprus legislation currently in force .

Signature

Date

Seal

¹³ Name of qualifying shipping company (ship owner, charterer, ship manager respectively).

¹⁴ Insert as appropriate.

¹⁵ Name of tug/vessel.

SCHEDULE II

STATEMENT RELATING TO QUALIFYING DREDGING ACTIVITIES FOR
TONNAGE TAX

To: Director of the Department of Merchant Shipping

Republic of Cyprus

Limassol

I, the undersigned¹ (identity no. /
passport no.) from² legally
representing the company³ acting in the capacity
of [**Director/ Secretary/ Managing Director/ Authorised Representative**]⁴, which
[is already admitted to the Cyprus Tonnage Tax system/ applies for its admission
to the Cyprus Tonnage Tax system]⁵ in its capacity as [**owner of a Cyprus ship/
owner of a foreign ship/ charterer/ ship manager**]⁶, hereby confirm that the
dredger⁷, registered under the EU/EEA flag of
.....⁸, with IMO no.⁹ and Call Sign
.....¹⁰ was engaged during the fiscal year¹¹ in
qualifying dredging activities as laid down by the relevant provisions of the Merchant
Shipping (Fees and Taxing Provisions) Law of 2010 and of the Tonnage Tax (Towage
and Dredging Activities) Notification of 2010.

¹ Name and Surname of physical person making the Statement.

² Address, residence of physical person making the Statement.

³ Name of qualifying shipping company (ship owner, charterer, ship manager respectively).

⁴ Insert as appropriate.

⁵ Insert as appropriate.

⁶ Insert as appropriate.

⁷ Name of dredger.

⁸ Name of EU/EEA Member State under the flag of which the dredger is registered.

⁹ IMO no. of dredger.

¹⁰ Call Sign of dredger.

¹¹ Insert relevant fiscal year.

I, further, confirm that all of the above information is true and correct and accurately corresponds with the entries in the Log books and other relevant records and documents maintained by the company¹² in relation to the operation of the dredger¹³, and that I acknowledge that any false or inaccurate Statement may constitute a criminal offence punishable, by virtue of the Cyprus legislation currently in force .

Signature

Date

Seal

DMS VERSION 17 September 2010 Final

¹² Name of qualifying shipping company as the case may be (ship owner, charterer, ship manager respectively).
¹³ Name of dredger .