



MINISTRY OF COMMUNICATIONS AND WORKS
DEPARTMENT OF MERCHANT SHIPPING
LEMESOS

Circular No.40 /2004

TEN 5.13.09

TEN 12.3.01.3

To all Owners, Managers
and Representatives
of Ships under the Cyprus Flag

12 August 2004

To all Shipmanagers Operating
in the Republic of Cyprus

Subject: Implementation of EU Harmonising Legislation : The Merchant Shipping (Fees and Taxing Provisions) Laws 1992-2004 (Law 38(I)/92 as amended) / 2004 Amendments

1. I wish to inform you that the House of Representatives enacted *The Merchant Shipping (Fees and Taxing Provisions) (Amendment) Law of 2004 (Law 166(I)/ 2004)*, (published in Greek, in the Official Gazette of the Republic of Cyprus, no 3851, Supplement I(I) dated 30.04.2004) , which entered into force on 1st May 2004, and amends the principal Law 38(I)/92 .

A consolidated English version of Law 38 (I)/92 as recently amended, is now available on our Web page www.shipping.gov.cy (under the heading “Legislation”) .

2. With regard to the tax regime of the shipowners of Cyprus ships, Law 166(I)/2004 has amended the principal Law by deleting paragraph (a) of sub-section (3) of section 8, thus abolishing in its totality as from the 1st of May 2004 the tonnage tax reduction offered to the shipowners due to the employment of Cypriot crew on board Cyprus ships (i.e. 2,5% reduction for every month a qualified or a cadet Cypriot merchant shipping officer is employed ; 1,5 % reduction for every month a Cypriot is employed as a rating).

The above amendment-abolition became necessary in order to honour the commitment undertaken by the Republic of Cyprus during the accession negotiations with the EU and to align its legislation with the Community acquis on State aid to maritime transport. This development is also in line with the abolition of *The Merchant Shipping (Crew) (Minimum Percentage of Citizens of the Republic) Regulations of 1969 (P.I.No. 661/69)* (see my Circular No. 25/ 2004, dated 26.05 .2004).

Therefore, contracts of employment of Cypriot crew on board Cyprus ships concluded on or after the 1st of May 2004 will no longer give rise to the abovementioned tonnage tax reduction .

3. With regard to the tax regime of shipmanagers operating in the Republic of Cyprus , Law 166(I)/2004 has amended the principal Law by introducing in section 5A the possibility for the shipmanagers to be exempted from the relevant tax in respect also of

“ any Community ship to which the provision of shipmanagement services in relation to its crewing and technical management is entirely contracted to a Cyprus or a Community shipmanagement company, which has an office in Cyprus staffed with a sufficient in number and qualifications personnel , for technical, administration and accounting matters relating to ships. ”

For the fiscal year 2004, the above tax exemption will apply to Community ships for which the shipmanagement agreement is valid during the period 1st of May 2004 to 31st December 2004.

Serghios S. Serghiou
Director
Department of Merchant Shipping

- cc. - Permanent Secretary, Ministry of Communications and Works
- Attorney General of the Republic
 - Permanent Secretary, Planning Bureau
 - Permanent Secretary, Ministry of Foreign Affairs
 - Maritime Offices of the Department of Merchant Shipping abroad
 - Diplomatic Missions and Honorary Consular Officers of the Republic
 - Association of Cypriot Shipowners (Searovers) Ltd
 - Cyprus Shipping Council
 - Union of Cypriot Shipowners
 - Cyprus Bar Association
 - Cyprus Association of Chartered Accountants