



REPUBLIC OF CYPRUS
**MINISTRY OF
COMMUNICATIONS AND WORKS**



**DEPARTMENT
OF MERCHANT SHIPPING
LEMESOS**

Circular No. 24/2009

TEN 13.31.04

02 November 2009

To all Shipmanagers Operating
in the Republic of Cyprus.

Subject: Taxation of Shipmanagement Services
- Confirmation of Shipmanager's Status

I refer to the above subject and I wish to inform you of the following:

It is recalled that Cypriot companies are subject to a uniform corporate tax rate of 10% on their net earnings. Shipmanagement companies, however enjoy, subject to the conditions listed below, a special tax status. Shipmanagers are automatically subject to the taxation of the shipmanagement services on the basis of the tonnage of ships, for which shipmanagement services have been rendered. However, they have the option to be taxed under Section 28 F of the Income Tax Law, at the rate of 4,25% on the income derived from the rendering of shipmanagement services, under the provisions of the Income Tax Law in force.

Important: Shipmanagers, who will opt or opted to be taxed under the provisions of the Income Tax Law will have to provide, as from the fiscal year 2006 and for every subsequent fiscal year, the Department of Inland Revenue with a Confirmation of Shipmanager's Status. Such Document is issued by the Department of Merchant Shipping and certifies that the company complies with the requirements of the Law¹ and is thus eligible to be taxed at the rate of 4,25% on the income derived from the rendering of shipmanagement services, under the provisions of the Income Tax Law in force.

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

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

A. Crewing and /or Technical shipmanagement:

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

¹ The Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007 and the relevant Regulations of 2000 (P.I. 395/2000).

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

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

- a) Articles and Memorandum of Association of the company;
- b) Certificate of Incorporation;
- c) Registered address and business address;
- d) Certificate of Directors and Secretary;
- e) Organisational chart of the company showing all departments/divisions as well as the number of persons occupied in each department/division;
- f) Supporting documents (CV and copies of the diplomas and/or certificates of work experience) regarding the qualifications of the minimum number of Key personnel required by the Law;
- g) Statement of employees from the Social Insurance Department or work permit for foreigners, who do not contribute to the social insurance or copy of the I.R. 7 Analysis Form (Employee's Data) from the Department of Inland Revenue;
- h) List of the ships (inc. IMO number), for which shipmanagement services are provided;
- i) Commercial managers have to provide copies of the SHIPMAN 98 Agreements for all the vessels, for which commercial management is provided. The Department of Merchant Shipping reserves the right to examine the original agreements.

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

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

By virtue of the Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007 (Law 38(I)/92) as amended, the fee for the issuance of the Confirmation of Shipmanager's Status will be 17,09 euro.

Shipmanagers operating in the Republic of Cyprus are advised to strictly abide by the present Circular.

Serghios S. Serghiou
Director
Department of Merchant Shipping

CC.

- Permanent Secretary, Ministry of Communications and Works
- Maritime Offices of the Department of Merchant Shipping abroad
- Permanent Secretary, Ministry of Finance
- Commissioner of Income Tax, Department of Inland Revenue
- Permanent Secretary, Ministry of Foreign Affairs
- Diplomatic Missions and Honorary Consular Officers of the Republic
- Cyprus Shipping Chamber
- Cyprus Union of Shipowners
- Cyprus Bar Association
- Institute of Certified Public Accountants of Cyprus

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