



REPUBLIC OF CYPRUS

SHIPPING DEPUTY MINISTRY

Provision of Environmental incentives – Tonnage Tax System

1. Background

Sections 9(1) and 13(1) of the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020 (*Law No. 44 (I) of 2010 as amended by Law 39(I)/2020*) provide for the reduction of tonnage tax up to 30% for owners of Cyprus and Community flagged ships that use mechanisms for the environmental preservation of the marine environment and the reduction of the effects of climate change.

2. Environmental Incentives

2.1 Incentive 1: Energy Efficiency Design Index

Applies to ships that are subject to the Reg.19, Reg.20 and Reg.21 of MARPOL ANNEX VI, as amended.

2.1.A. Ships that achieved further reduction of the **Attained EEDI** compared to the **Required EEDI (Regulation 20 / MARPOL ANNEX VI)** as per the below **Table 1** shall obtain the respective Annual Tonnage Tax rebate.

Table 1: Attained EEDI, percentage of reduction	
Attained EEDI percentage of reduction in comparison to the Required EEDI	Percentage of Annual Tonnage Tax rebate (%)
>10	05
>15	10
>20	20
>30	25

To qualify for this incentive, the company should submit:

- A copy of the ship's International Energy Efficiency Certificate with its Supplement;
or
- A copy of the ship's EEDI Technical File; **or**
- Pre-verification report as a proof that the Attained EEDI.



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- **For a Phase 2:** additional 10% at the respective percentage of the Table 1
- **For a Phase 3:** additional 30% at the respective percentage of the Table 1. Each ship can only receive a maximum 30% rebate on the Annual Tonnage Tax

Example for easy reference: Ship (Phase 2 or Phase 3) that achieved further reduction of 23% at the Attained EEDI in compare with Required EEDI, the ship shall obtain rebate to the annual tonnage tax as per below:

PHASE 2: 20% as per the Table 1, plus 10% of the 20%. Total 22%

PHASE 3: 20% as per the Table 1, plus 30% of the 20%. Total 26%

2.1.B. For ships that the Reg.19,20,21 of MARPOL ANNEX VI, as amended, does not apply, but however demonstrate voluntary implementation and compliance with Phase 1 or Phase 2 or Phase 3, thus going voluntarily beyond the relevant environmental standards, Annual Tonnage Tax rebate as per the **Table 2** shall apply.

Compliance with Phase 1/Phase 2/Phase 3	Percentage of Annual Tonnage Tax rebate (%)
Phase 1	5
Phase 2	15
Phase 3	30

To qualify for this incentive, the company should submit the following, as an attachment to the application form:

- Calculations which demonstrate compliance, approved by a Classification Society (RO); **or**
- A copy of the Ship's International Energy Efficiency Certificate with its Supplement; **or**
- A copy of the Ship's EEDI Technical file



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2.2 Incentive 2: IMO Data Collection System (D.C.S)

The Environmental Incentive related to the IMO Data Collection System (DCS) applies to ships of 5000 GT and above that comply with Regulation 22A of MARPOL ANNEX VI, as amended and with reported Hours Underway of 4380 and above for each year.

Ship that is demonstrating reduction of the total fuel oil consumption in relation to the distance travelled compared to the immediately previous reporting period (year x vs year x-1), shall obtain Annual Tonnage Tax rebate (for year x) as per **Table 3**.

Table 3: Percentage of reduction at fuel oil consumption / the distance travelled in compare to previous reporting period.	
Percentage of reduction between two consecutive reporting period	Percentage of Annual Tonnage Tax rebate (%)
From 2 Up to 4 %	10
Up to 6 %	15
Greater than 6 %	20

To qualify for this incentive, the company should submit the following, as an attachment to the application form:

- A copy of the Statement of Compliance – Fuel Oil Consumption Reporting for two consecutive reporting periods; **and**
- A copy of Collected Data Summaries (MEPC.292(71) / APPENDIX 2) report for two consecutive reporting periods;



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Example for easy reference: Ship during 2019 covered 85000 nm and consumed HFO: 8000mts and LSMGO:400mts. Same ship during 2020 covered 85000nm and consumed HFO:7800mts and LSMGO:300mts.

$$2019: \frac{\text{Total Fuel oil Consumption}}{\text{Distance travelled}} = \frac{8000+400}{85000} = \frac{8400}{85000} = \mathbf{0.099 \text{ mts/nm}}$$

$$2020: \frac{\text{Total Fuel oil Consumption}}{\text{Distance travelled}} = \frac{7800+300}{85000} = \frac{8100}{85000} = \mathbf{0.095 \text{ mts/nm}}$$

$$\text{Reduction Percentage of } \frac{\text{total fuel oil consumption}}{\text{distance travelled}} \text{ ratio: } \left(\frac{(0,095-0,099)}{0,099} \right) * 100 = \mathbf{-4.04\%}$$

Conclusion: Based on the above calculation, subject vessel shall obtain 15% rebate on the Annual Tonnage Tax, as per **Table 3**.

2.3 Incentive 3: Use of Alternative fuels

The environmental incentive related to the Alternative fuels applies to eligible ships of 5000GT and above.

A Ship that consumes Alternative fuels shall obtain rebate at the Annual Tonnage Tax as per **Table 4** on a case-by-case basis after successful review of the submitted documents.

Type of Alternative fuel	Percentage of Annual Tonnage Tax rebate (%)
Bio – Fuels, Methanol, Electric, Other achieving reductions of CO2 emissions of at least 20% in comparison to a similar ship which consumes fossil fuels	15
Bio – Fuels, Methanol, Electric, Other achieving reductions of CO2 emissions of at least 30% in comparison to a similar ship which consumes fossil fuels	30



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The ship(s) shall maintain the same rebate at the Annual Tonnage Tax as far as consumes the alternative fuel. Reduction to the CO₂ emissions as per Table 4, shall be achieved by consuming alternative fuel solely. Statement by the ship's Classification Society or other objective studies / document shall be submitted every year.

To qualify for this incentive, the company should submit the following, as an attachment to the application form:

- Statement by the Ship's Classification Society or other objective studies / document, that proves that said ship uses Alternative Fuels and comply with relevant EU / International Regulations and achieves reductions as above comparing with traditional fuels.

3. Final Stipulations

The outlined environmental incentives are cumulative and as per the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020, each ship can only receive a maximum 30% rebate on the Annual Tonnage Tax.

An eligible ship for any of the environmental incentive is a ship that engaged in a qualifying shipping activity as per the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020.

3.1 Additional provisions

- i. Ship, that was detained due to any environmental deficiency(ies) (violation of any International / National regulation / Directive of European Commission) during PSC inspection during the calendar year that the company applied for any of the environmental incentive, is not eligible for any of the environmental incentive during this year.
- ii. Ship, that violate any regulation / Directive of European Commission related to the environmental protection (e.g Directive 2016/802 EC, Regulation (EU) 2015/757, Regulation (EU) No 1257/2013) during the calendar year that the company applied for any of the environmental incentive, is not eligible for any environmental incentive during this year.
- iii. Ship is eligible for any of the above environmental incentives, provided that during the calendar year where the company apply for any environmental incentive, is not in laid-up condition (warm or cold).