



REPUBLIC OF CYPRUS
MINISTRY OF TRANSPORT,
COMMUNICATIONS AND WORKS



DEPARTMENT
OF MERCHANT SHIPPING
LEMESOS

Circular No. 27/2017

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12 December 2017

Tonnage Tax Companies

Owners of Ships under Foreign Flag,
Charterers, and Ship Managers
operating in the Republic of Cyprus

Members of the Cyprus Shipping Chamber c/o CSC
Members of the Cyprus Union of Shipowners c/o CUS

Subject: Cyprus Tonnage Tax System (Law 44(I)/2010): Calculation of the Global Share for the Owners of Foreign Ships, Charterers and Ship Managers – applied for the fiscal year 2018

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

1. For the purpose of assessment of the Community-flagged Share of each company or group of companies, the Director of the Department of Merchant Shipping (DMS) shall carry out an assessment upon expiry of the third year (on 31st December) as from the date of opting to be taxed under the Tonnage Tax System (TTS) (i.e. on **31st December 2017** for the companies which entered the TTS on 01 January 2015 or during the period 02 January 2014 - 01 January 2015– refer to DMS Circular No. 13/2011) and thereafter a further assessment every three years throughout the duration of validity of the Law 44(I)/2010.
2. In the case of a company or group of companies whose Community-flagged Share at the time of assessment is less than its Reference Share (unless it is over 60%) then no additional non-Community ships can enter the TTS until it raises its Community-flagged Share back to its Reference Share as minimum.
3. However as provided by sections 15(3) (a), 25(3) (a) and 35(2) (a) of the *Merchant Shipping (Fees and Taxing Provisions) Law of 2010* (Law 44(I)/2010 - the “Law”) and by paragraphs 8 and 10 of *The Tonnage Tax (Special Provisions for the Calculation of the Community Flagged Share) Notification of 2010* (P.I. 536/2010- the “Notification”) those companies or group of companies may take advantage of the sectoral **Global Share** to include additional non-Community ships in the TTS.

In this case, the said owner, charterer or ship manager shall be subject to an increase of ten per cent (10%) on the total amount of tonnage tax payable for all the qualifying non-Community ships in his fleet, by virtue of the provisions of sections 15(4), 25(4) and 35(3) of the Law respectively.



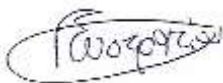
4. As provided by paragraph 10 of the Notification and for the purposes of implementing sections 15(3) (a), 25(3) (a) and 35(2) (a) of the Law, the DMS has calculated, in accordance with paragraph 11 of the Notification, the Community-flagged Share of the relevant global tonnage eligible for tonnage tax in the Republic of Cyprus (**Global Share**) on a sectoral basis for 2016.

Upon the results of the calculations, the Director of the DMS informs that for 2016:

- The Global Share for *Owners of foreign ships* has **decreased** in comparison to 2015 (from 27.29% to 24.52%),
- The Global Share for *Charterers* has **increased** in comparison to 2015 (from 62.39% to 64.15%),
- The Global Share for *Ship Managers* has **decreased** in comparison to 2015 (from 51.97% to 49.04%).

Therefore, **Owners of foreign ships** and **Ship Managers** whose Community-flagged Share is at the time of assessment (i.e. on 31st December 2017) below their Reference Share (unless this is over 60%) shall not include additional non-Community ships in the TTS until they raise their Community-flagged Share back to their Reference Share as minimum. The said ships cannot be considered as qualifying ships and will be taxed with corporate-income tax by the Department of Taxation and the company shall maintain separate books, records and accounts for those ships as provided by section 44 of the Law.

Charterers whose Community-flagged Share is at the time of assessment (i.e. on 31st December 2017) below their Reference Share (unless this is over 60%), may, for the fiscal year 2018, include additional non-Community ships in the tonnage tax system. In that case an increase of 10% on the tonnage tax on all non-Community ships will apply.



Ioannis Efstratiou
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Department of Merchant Shipping

Cc: - Permanent Secretary, Ministry of Transport, Communications and Works

- Permanent Secretary, Ministry of Finance
- Permanent Secretary, Ministry of Foreign Affairs
- Maritime Offices of the Department of Merchant Shipping abroad
- Diplomatic Missions and Honorary Consular Officers of the Republic
- Commissioner for State Aid Control
- Commissioner of Taxation, Tax Department
- Director General, Cyprus Investment Promotion Agency (CIPA)
- Cyprus Bar Association
- Institute of Certified Public Accountants of Cyprus

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