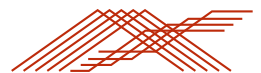


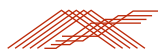


# CYRPUS

A Modern Business & Maritime Centre

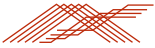


APSEROU SHIAKA & CO LTD  
Chartered Certified Accountants



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## Cyprus maritime and shipping at a glance

- **60+ ship management companies**
- **It is considered as one of the biggest shipmanagement centres globally**
- **130+ international shipping related companies**
- **22+ million gross tonnage**
- **1.857 ocean going vessels**
- **4% of the world's fleet managed from Cyprus**
- **25% of entire EU Fleet**
- **7% Contribution to GDP (including auxiliary services)**
- **Taxation: TT calculated on the basis of the NT of the vessels possessed or managed**
- **The Cypriot registry ranks 10th in the world and third in the EU**



## Foreword

Cyprus has created a well-established maritime centre with well-founded infrastructure and services able to successfully meet the growing demands of a globalized shipping business. Today Cyprus ranks among the 10 top international nation fleets and has the 3rd largest fleet within the EU.

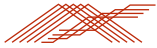
The Cyprus flag is considered one of the highest quality EU flags available today and ranks at the top of various Port State Control Agreement 'white lists' – including the Paris and Tokyo MOUs and its exclusion from the 'List of Targeted Flag States' of the U.S. Coast Guard reveal that Cyprus Flag is classified among the top for its quality and safety.

The country's unique geographical location, its advanced infrastructure and services, the very competitive shipping taxation and other strategic advantages, make Cyprus the ideal location for ship owning, ship management, ship chartering and ancillary shipping-related services.

This brochure will give you a detailed description of the benefits offered by Cyprus to ship owners, charterers and ship managers, an outline of the tonnage tax regime and the legal and regulatory framework.

Should you need any further information, please feel free to get in touch with us. It will be our pleasure to offer you our services.

Kind regards,  
Maria Shiaka



## Legal and Regulatory Framework

Cyprus' legal framework is particularly strong, due in part to mandatory compliance with European Union regulations.

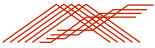
As a former British colony, Cyprus law is based on English Common Law and was amended in recent years to meet European Union requirements. Offering foreign business a familiar and reliable framework within which to operate, the island's legal and regulatory system is considered to be one of the most favourable in Europe, whilst at the same time being fully compliant with the EU, the Financial Action Task Force on Money Laundering (FATF), the Organization for Economic Co-operation and Development (OECD) and the Financial Stability Forum (FSF).

Cyprus is a member of the UN, The Council of Europe, the Organisation for Security and Co-operation in Europe, the British Commonwealth, the IMF, the World Bank, the World Trade Bank and the European Union and Eurozone. Although Cyprus is not a member of the OECD, the Organisation's principles and guidelines are fully adopted by Cyprus. Cyprus has signed and ratified a number of agreements and conventions including GATT and MIGA.

### **The Regulatory Authority and Shipping Associations**

The Department of Merchant Shipping (DMS) was established in 1977 and functions as a distinct body within the Ministry of Communications and Works. The DMS activities include:

- registration of ships
- administration and enforcement of the merchant shipping legislation
- control of ships and enforcement of international conventions
- investigation of marine casualties
- resolving labour disputes on-board Cyprus ships
- training and certification of seafarers
- continuous updating of the merchant shipping legislation and harmonisation with the European Union legislation
- taxation of ship owning and ship management companies



- promotion and further development of Cyprus as a maritime centre and an international registry
- international relations, participation in international organisations, bilateral agreements and cooperation with maritime authorities of other countries

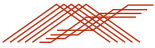
The DMS website ([www.shipping.gov.cy](http://www.shipping.gov.cy)) contains further information in relation to the aforementioned activities.

The Shipping industry in Cyprus is represented by two major Associations:

- The Cyprus Shipping Chamber ([www.csc-cy.org](http://www.csc-cy.org)) aiming to promote the interests of Cyprus Shipping and furthering the reputation of the Cyprus Flag and
- The Cyprus Union of Ship owners ([www.cus.com.cy](http://www.cus.com.cy)) which constitutes the representative organization of the international shipping community with vessels under the Cyprus Flag





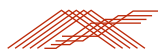


## Fiscal and other Benefits offered in Cyprus

The Cyprus flag is a high quality flag, offering numerous economic and other advantages to ship-owners who register their vessels in the Cyprus registry.

### 1. Quality Services

- EU flag
- Classification of Cyprus flag in the White List of the Paris and Tokyo MOUs and removal from the “List of Targeted Flag States” of the US Coast Guard resulting in fewer inspections of the ships and less delays at the ports of both MOUs
- Maritime safety policy
- Maritime offices in New York, London, Rotterdam, Piraeus, Brussels and Hamburg offering services to Cyprus ships
- A network of local inspectors of Cyprus ships, covering important ports worldwide in order to ensure efficient and effective control of Cypriot vessels and to avoid detentions by port state control
- Signatory to all international maritime conventions on safety and pollution prevention
- Bilateral agreements with 23 countries, through which Cypriot ships receive either national or favored nation treatment in the ports of other countries. Those agreements with labor supplying countries provide for specific terms of employment which are beneficial to both the ship owners and the seafarers
- Efficient and qualitative provision of services by the Department of Merchant Shipping



## 2. The Cyprus corporate tax system of shipping companies

### The Cyprus tonnage tax system

- The Merchant Shipping Legislation enacted in May 2010 and applicable as from the fiscal year 2010 introduced the Tonnage Tax system and placed Cyprus in a very competitive position.
- EU approved – fully compliant with Guidelines on State Aid to Maritime Transport
- In force up to 2019 and extendable for a further 10 years with decision of Council of Ministers (following European Commission approval)
- Provides for TT on the net tonnage of the vessels rather than Corporation Tax on the actual profits, regulated by the DMS rather than the Tax Authorities
- Grants total tax exemption of profits tax and distribution tax at all levels
- Exemption from stamp duty on MOAs, ship mortgage deeds or other security document
- Allows mixed activities within a company/group (shipping subject to TT and other subject to 12.50% corporation tax)
- Supports an open registry
- Allows split ship management activities (crewing or technical)
- The favorable income tax legislation compliments the excellent Merchant Shipping Legislation, creating a highly tax efficient harbor for shipping groups and an ideal holding company location
- 

### Summary of the Cyprus tax system benefits

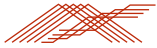
- The corporation tax 12.50%
- Exemption from tax of dividend income (subject to easily met conditions)
- Exemption from tax of profits from foreign permanent establishments (PE)
- Exemption from tax of profits generated from transactions in titles
- Exemption from withholding tax on the repatriation of income either in the form of dividends, interest and on almost all royalties
- Interest expense on 100% corporate acquisitions permitted
- Notional interest deduction (effective from 1/1/2015)
- Group relief availability (75% holding)
- Foreign PE profits exempt
- Access to Extensive double tax treaties network with numerous countries all over the world
- EU Directives
- No controlled foreign corporation (CFC) legislation
- No thin capitalisation rules (funding by high debt/ equity ratio possible)
- Tax neutral reorganisations for both EU and non EU group companies
- Advance ruling practice

### Low costs

- Low registration costs
- Low set up and operating costs for companies
- The favourable tonnage tax system is not only reasonable but also considerably lower than those of other comparable jurisdictions

### Other

- Modern and efficient legal, accounting and banking services
- Strategically located at the crossroads of three continents
- Excellent telecommunications and easy access by air and sea
- Parallel registration is acceptable under certain conditions
- Vessels accepted by the registrar up to 15 years old and conditionally up to 25+ years old.



### Full exemption from all income taxes

- No tax on income derived from the operation of a Cyprus registered vessel
- No tax on the income or profit made from the sale of a Cyprus registered vessel or from the sale of shares of a ship owning company
- No tax on dividends paid to shareholders of a Cyprus registered vessel out of profits made from the operation or from the sale of a ship
- No tax on interest earned on working capital of a Cyprus registered vessel
- No tax on the wages or other benefits of officers and crew members of a Cyprus registered vessel
- No estate duty on the inheritance of shares in a ship owning company
- No stamp duty on ship mortgage deeds or other security documents

### Corporate income tax on non-shipping profits

It is possible to have mixed companies i.e. companies that have activities which are considered as qualifying

under the TTS and they also have trading profits which are subject to corporate income tax (CIT).

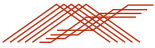
The income derived from the activities that are not related to shipping activities is taxable under the CIT at 12.5% E.g. interest related to financing activities and for ship managers the income from commercial management is subject to CIT.

Shipping companies should maintain separate books and records in respect of qualifying and non-qualifying activities.

The arm's length principle is applicable for transactions with related parties that are outside the TTS.







## The tonnage tax system

The Merchant Shipping (Fees & Taxing Provisions) Law was enacted in May 2010 and introduces a new tonnage tax system in Cyprus, applicable as from the fiscal year 2010.

### Why is this significant development for the shipping industry?

The new tonnage tax system contains most of the favourable features found in tonnage tax systems in other EU countries, and more. It was approved by the EC in March 2010 and it is available to ship owners, charterers and ship managers. It has become an EU-Approved Open Registry allowing EU and non-EU ship operators to take advantage of the TTS system. The TTS places Cyprus with a competitive advantage and combined with fiscal and other advantages are expected to significantly contribute to the improvement of the already strong position of the country in the shipping world.

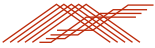
### The main provisions of the new tonnage tax system are described below.

#### Beneficiaries

The tonnage tax system is available to any

- Owner, charterer or ship manager who
- Owns, charters or manages a
- Qualifying ship in a
- Qualifying shipping activity.

The tonnage tax is calculated on the net tonnage of the ship according to a broad range of bands and rates prescribed in the legislation. The rates applicable to ship managers are 25% of those applied for ship owners and charterers.



### Qualifying ship

A qualifying ship is any seagoing vessel that is

- certified under applicable international or national rules and regulations and
- registered in the ship register of any member of the International Maritime Organization and the International Labour Organization, which is recognized by Cyprus.

The new tonnage tax system specifically excludes certain types of ships, such as

- Fishing vessels,
- Ships used primarily for sports or recreation,
- Ferry and trailer boats that are used in ports, mouth of rivers and / or rivers,
- Non-self-propelled floating cranes and
- Non-ocean going tug boats,
- Stationary vessels employed for hotel and/or catering operations
- Vessels employed mainly as gambling facilities and/or casinos

### Qualifying shipping activity

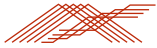
Any commercial activity that constitutes maritime transport, or crew management and/or technical management is considered a qualifying activity.

The definition of maritime transport includes the traditional carriage of goods and passengers, as well as ancillary services such as all hotel, catering, entertainment and retailing activities on board a qualifying vessel, the loading and unloading of cargo, the operation of ticketing facilities and passenger terminals. Towage, dredging and cable laying are also eligible for tonnage tax.

### Qualifying persons

Qualifying persons are Ship owners, charterers (bareboat, demise, time and voyage) and ship managers providing technical and/or crewing services.





## Ship owners

Ship owners of Cyprus flag ships, which are Qualified Ships and engaged in Qualified Shipping Activities, automatically fall within the scope of the tonnage tax system.

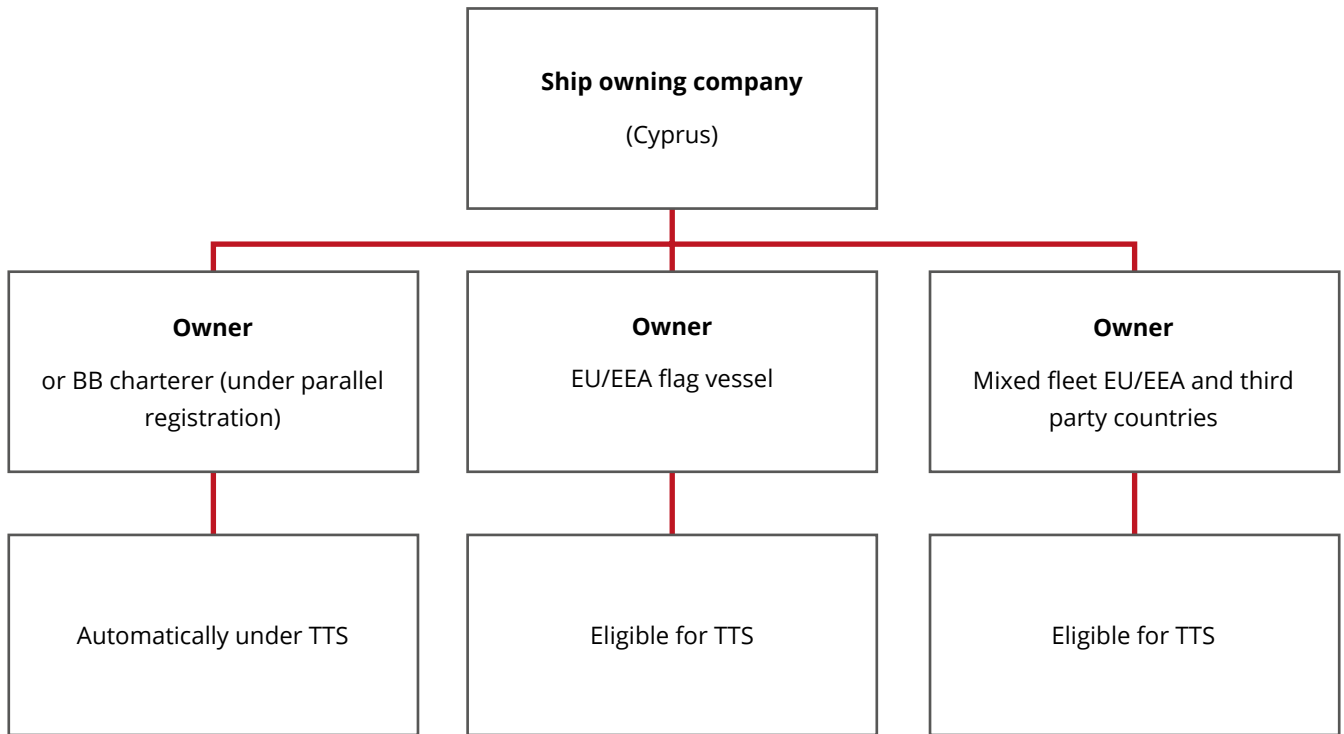
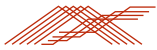
Ship owners of community flag ships and foreign flag ships may opt to be taxed under the tonnage system.

### A Qualified Ship owner can be:

- A ship owner of a Cyprus flag ship, that is a Qualifying Ship engaged in Qualifying Shipping Activities or
- A ship owner of an EU-flag ship who is a Cyprus tax resident and elects to be taxed under the TTS and the ship is a Qualifying Ship engaged in Qualifying Shipping Activities or
- A ship owner of a fleet of EU and non-EU ships (mixed fleet) that elects to be taxed under the TTS provided
  - is a Cyprus Tax resident and
  - the ships are Qualifying Ships and engaged in Qualifying Shipping Activities.
  - a mixed fleet must consist of at least 60% EU ships carrying an EU flag in order for the Ship owner to meet the requirements of the Law as Qualifying Ship owner. If less than 60% then a share of the fleet must comprise of EU vessels and that share must not be reduced in three-year period (flag share requirement) following the exercise of the option and the commercial – strategic management must be carried out from the EU/ European Economic Area.

### Conditions

1. Cyprus tax resident
2. 10 year rule
3. EU Flag link (at least 1 EU/EEA flag vessel in fleet suffices)
4. The all or nothing rule (when opting to enter the TTS all qualifying ships must be included)





## Charterer

Any charterer who charters:

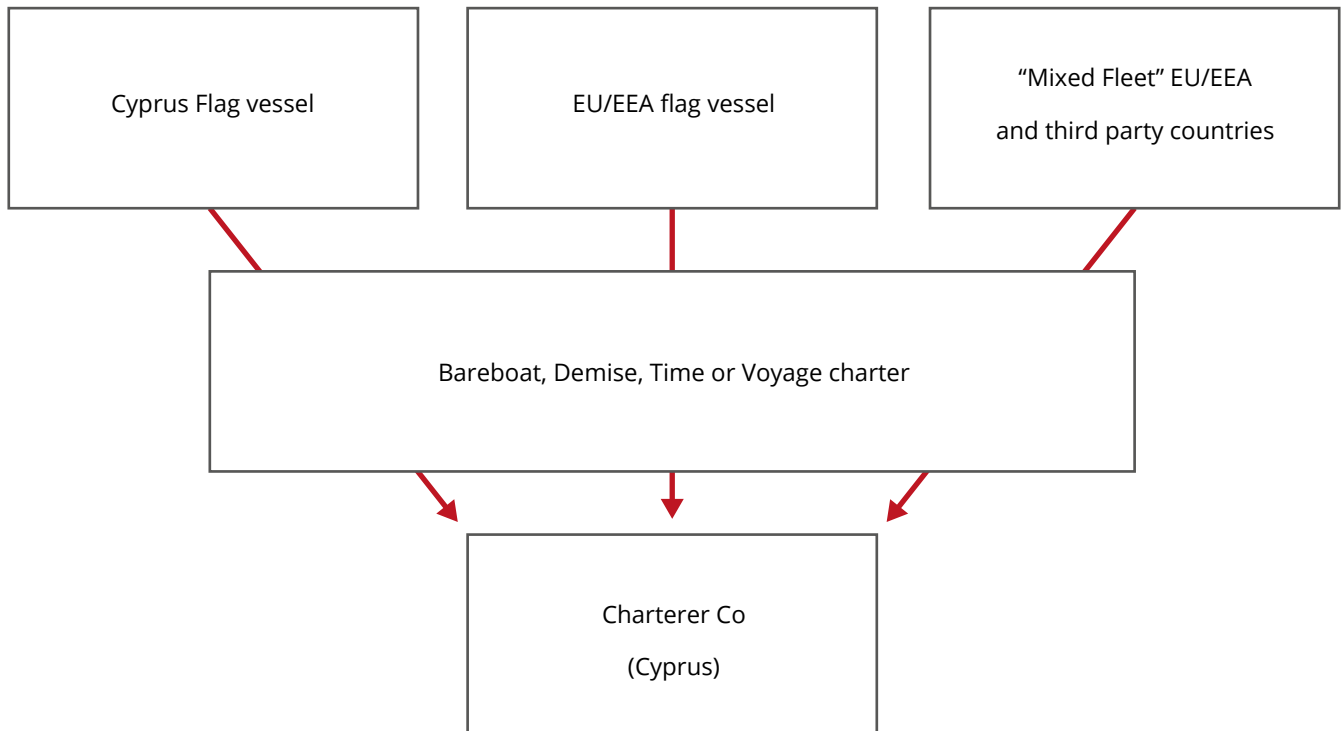
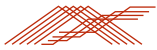
- a ship under bareboat
- demise charter
- time or voyage charter

is eligible to opt for TTS provided

- that the ship charterer is a tax resident of Cyprus and
- the tonnage of the ships under time and/or voyage charters does not exceed 75% of the total tonnage of ships chartered and owned for more than 3 consecutive years. The eligibility percentage increases to 90% if the ships chartered are EU ships or their crew and technical management are carried out from the EU. The charterers of 3rd country flag ships must comply with the additional requirements that apply for 3rd country flag ship owners (i.e. flag share requirement).

## Conditions

1. 10 year rule
2. EU flag link
3. "All or nothing" provision for group
4. "Minimum fleet ownership" condition







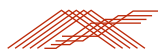
## Ship managers

### A ship manager:

- is a tax resident of Cyprus
- provides crew management services and/or technical management services to qualifying ships

can opt to be taxed under the TTS provided it satisfies the following criteria:

- maintains a fully-fledged office in Cyprus
- employment of a sufficient number of qualified personnel (51% of whom should be EU citizens)
- at least 2/3 of the total tonnage of the fleet is carried out from the territory of the EU
- at least 60% of the fleet in terms of tonnage must comprise of EU flag vessels
- all vessels and crew under management must comply with international standards and EU law requirements relating to maritime security, safety, training and certification of seafarers, the environment, on-board working conditions and more
- In addition, crew managers must have fully implemented the 2006 Maritime Labor Convention and
- technical managers, must have the ISM Code certification



Ship Management services provider	No. of ships	Skilled crew managers	Qualified marine engineers	Min. Required no. of other employees
Crewing and Technical	1-10	1	1	3
	>10	1	2	7
Crewing	1-10	1	n/a	4
	>10	2	n/a	8
Technical	1-10	n/a	1	4
	>10	n/a	2	8

The tonnage tax rates are as below:

Net Tonnage (NT)	Ship owners / Charterers	Ship Managers
	€ TT per 100 NT	€ TT per 400 NT
0 – 1.000	€36,50	€36,50
1.001 – 10.000	€31,03	€31,03
10.001 – 25.000	€20,08	€20,08
25.001 – 40.000	€12,78	€12,78
> 40.000	€7,30	€7,30

**Note: The rates applicable to ship managers are 25% of the rates of ship owners and charterers**

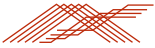
### Example: ship manager

Calculation of the annual tonnage tax for a 149.333 net tonnage vessel:

#### Vessels under management

Vessel	Flag	GRT	NT
Vessel 1	Malta	30.000	13.312
Vessel 2	Marshall Islands	61.000	32.726
Vessel 3	Marshall Islands	81.000	52.295
Vessel 4	Marshall Islands	82.000	51.000
		<b>254.000</b>	<b>149.333</b>

Net Tonnage (NT)		€ TT per 400 NT		Cyprus Annual Tonnage Tax €
0 – 1.000	1000	€36,50	X 1000/400	91,25
1.001 – 10.000	9000	€31,03	X 9000/400	698,10
10.001 – 25.000	15.000	€20,08	X 15000/400	752,95
25.001 – 40.000	15.000	€12,78	X 15000/400	479,22
> 40.000		<b>€7,30</b>		<b>1.995,33</b>
			<b>Annual total TT</b>	<b>4.016,85</b>



## Registration of ships

### Ownership requirements

A vessel may only be registered in the Register of Cyprus Ships

#### **A. In the case the ownership of the vessel lies with a physical person and not through a company,**

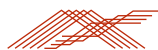
- 50% of the shares of the vessel must be owned by a Cypriot citizen or
- citizens of other EU member states who have appointed Cypriot citizens as authorized representatives in Cyprus or

#### **B. Where a company is involved in the ownership of the vessel**

- 100% of the shares must be owned by a company that is registered in accordance with the provisions of Cyprus Companies Law Cap.113. In this instance it does not matter what nationality the shareholders of the company are; Or
- The company was formed in any EU member state country, have the registered office, central administration or principal place of business within the EU. The EU company can register its vessels provided that it has appointed a Cypriot representative or the management of the ship is fully entrusted to a Cypriot or EU ship management company having its place of business in Cyprus; Or
- The company was registered outside the EU but is controlled by EU citizens and has either appointed a representative in Cyprus or the management of the ship is fully entrusted to a Cypriot or EU ship management company having its place of business in Cyprus.

According to the above, ship owners do not need to be physically present in Cyprus in order to have their vessels registered in Cyprus. In addition it is not uncommon to see ship owners taking up Cypriot nationality in order to circumvent the requirements as to the ownership of the vessel imposed by the law.

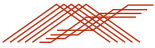
In view of the above requirements, all non-European owners who wish to register their ships under the Cyprus flag may incorporate a company in Cyprus, which will either acquire the ship in its name, or bareboat charter the ship.



## Specific Requirements

<b>Supporting Documentation drawn up in a comprehensible language</b>	In practice, most of the documents are admissible in the English language
<b>Ownership</b>	The application for registration must be accompanied by documents attesting ownership
<b>Entry / occasional annual inspection is required at the expense of the ship owner / bareboat charterer</b>	Is carried out within 3 months from the date of provisional or parallel-in registration, or within 1 month from the date of permanent registration if effected directly
<b>Management and Operation of a Vessel</b>	The management and operation of a vessel is evidenced by the Joint Declaration on the Operation of a Ship (Form ISM 01/ Revision 03).
<b>Conditions after Registration</b>	The conditions under which a vessel is registered continue to be in force irrespective of any subsequent amendments of the government policy
<b>Request for Assessment and Certification</b>	In accordance with the provisions of Chapter IX of SOLAS 74 as amended and the ISM Code.
<b>Document of Safe Manning</b>	Every Cyprus ship should be in possession of a valid document of safe manning.





## The Registration of a Cyprus Shipping Company

### Legal status

The Company is registered as a private company with limited liability (limited by shares) under the provisions of the Cyprus Companies Law, Chapter 113 of the Statute Laws of Cyprus, as amended.

For the incorporation of the company, the filing of the memorandum and articles of association in Greek with the Registrar of Companies is required. The incorporation of the company is evidenced by the issue of a certificate of incorporation by the Registrar of Companies.

### Memorandum and articles of Association

The memorandum must contain the objects of the company, set out as widely as possible. These are the usual ones of a shipping company e.g. to own and operate vessels, borrow money, mortgage its vessel, etc.

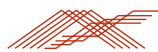
The articles usually adopt Table A of the Companies Law with a number of changes or additions as deemed necessary.

### Name of the Company

The name of the company must end with the word "limited" or "Ltd". Prior approval of the name by the Registrar of Companies is required. Very general or deceptive names are not accepted nor are names likely to lead to confusion with existing ones. It usually takes 2 days to obtain a name approval.

### Registered Address

The Registered address by law must be in Cyprus. It is usually situated at the offices of either the lawyers or the accountants who act for the company in the island, unless the company has a more substantial presence in the island and operates from fully fledged offices. The registers and minute-books are kept with the secretary of the company.



## Share Capital

The share capital of the company may either be nominal (e.g. EURO €100) or the actual amount to be deposited by the promoters for the pursuit of the venture. It may be paid up in full or by calls, in cash or for consideration other than cash and the shares may be allotted a par value. Any class of shares e.g. ordinary or preference, and with different voting and dividend rights, are acceptable. All shares must be nominative; bearer shares are unacceptable.

## Shareholders

One shareholder is required for the incorporation and continued existence of a Cyprus private company. The nationality of the shareholders is immaterial. Under Cyprus law all shareholders of a shipping company may be foreigners residing outside the island. The transfer of shares from one foreigner to another is allowed.

The trust relationship is recognised under Cypriot law both by statute and in equity. The principles of equity which apply under English law are applicable in Cyprus as provided by the Courts of Justice Law, 1960. The security documentation of the beneficial owner (according to the practice followed by law firms) comprises the following:

- the trust deed;
- the original share certificates which are issued in the names of the nominee shareholders;
- instruments of transfer of shares executed in blank;
- directors' resolutions approving the transfer of shares (where nominee directors are appointed);
- undated letters of resignation of the nominee directors;
- irrevocable dividend mandates for payment of dividends to the beneficial owners or to an account designated by them.

General meetings may be held abroad and, as a rule, written resolutions signed by all shareholders will suffice in lieu of a meeting. Annual general meetings must be held every year, the first to be held within 18 months from incorporation.

## Directors

One or more directors may be appointed. The nationality of directors is totally immaterial and does not affect the status of the company in any way. Thus, there is no obligation to have local directors, unless it is considered advisable to establish local management for tax or other reasons. Share qualifications are not required.

The appointment and removal of directors are in the hands of the shareholders, and special rights may be given for this purpose to a specific class of shares.

Board meetings may be held in any country of the world. Directors' resolutions may be taken in one of two ways:

- at a board meeting duly convened and held or
- without a meeting provided that the resolution is signed by all the directors.

The names of the directors should be disclosed to the Registrar of Companies by separate returns which are open to public inspection. Their names and nationalities (for foreigners) must by law appear on the letterheads but, in practice, this is not observed for shipping companies.

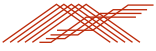
## Secretary

A company secretary must be appointed by the directors and is removable by them. The nationality of the secretary is totally immaterial and does not affect the status of the company in any way. However, it is advisable that the secretary be a company or a person resident at the place where the directors reside and that an assistant secretary be appointed in Cyprus to attend to company annual formalities in the island. This will ensure that all company annual returns are promptly signed and filed with the Registrar of Companies by the secretary and recorded. A director (but not a sole director), unless the company has one shareholder, may also act as the company's secretary.

## Returns

Annual returns must also be filed. The names of the shareholders must appear in the annual returns filed with the Registrar of Companies. Any charges against the company must be filed and registered. Once filed the returns are open to public inspection.





## Procedure for Incorporation

A limited liability company can be incorporated in one of the following ways:

- by the actual shareholders appearing as subscribers to the memorandum and articles of association and signing the said documents;
- by Cypriot nominees subscribing to the memorandum and articles of association and later transferring their subscription shares to the actual shareholders by instruments of transfer.

## Required Particulars

In order to proceed with the formation of a Cyprus shipping company, the following particulars are required

- desired company name (more than one name should be given if time is of the essence);
- amount of authorized share capital;
- whether shareholders will subscribe to the memorandum and articles of association themselves or through Cypriot nominees;
- whether shares will be held in trust by Cypriot nominees;
- names, address, nationality and occupation of beneficial shareholders;
- name, address, nationality and occupation of directors;
- name and address of secretary.

## Auditors and Accounts

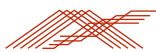
Auditors are appointed by the annual general meeting (or by the directors until the convening of such a meeting) and are thereby removable. Powers and duties of auditors are similar to those under English law prior to 1967.

The books may be kept abroad and denominated in any currency.

## Commencement of Trading

Upon the issue of the certificate of incorporation by the Registrar of Companies, the company may commence its activities forthwith and register a vessel in its name.





## Types of registration

There are three types of registration, namely provisional, permanent and parallel (parallel in, parallel out) registration

### A. Provisional Registration

Cypriot merchant shipping legislation allows for the provisional registration of a vessel and most owners usually opt to have their ship provisionally registered first. This will allow them time (up to 9 months, including a 3 month extension) during which they will be able to complete the administrative formalities for permanent registration.

The application for registration of the ship under the Cyprus flag must be made to the Minister of Communications and Works through the Registrar of Cyprus Ships. During the provisional registration period the ship must be at a port so that the vessel can be surveyed and certified on behalf of the Cypriot government. It is not necessary for the ship to be present in a Cyprus port.

#### Application for Provisional Registration

In order to enable the Registrar of Cyprus Ships to initiate the procedure for the provisional registration of a ship, the following information is required:

- name of the vessel and her flag at the time of the application;
- name of the person (legal or natural) applying for the registration of the vessel;
- name of the vessel under which she will be registered;
- particulars of the vessel (type, year of build, date keel of the vessel was laid, gross and net tonnage);
- name of the classification society with which the ship is entered. If the owners of the vessel contemplate a change of the classification society on acquiring the vessel this should also be stated;
- Declaration of Particulars of the company for ISM Code (Form ISM 01/Revision 03);
- intended trading area of the vessel;

- place where the vessel will be at the time of her provisional registration, if known. This must be communicated to the Registrar of Cyprus Ships prior to the provisional registration;
- the consular office where the owners wish to effect the provisional registration of the vessel;
- name and address of the shareholders and directors of the company in whose ownership the vessel will be registered.

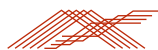
#### Other particulars

- It should be noted that the vessel must be classed with one of the classification societies that the Cypriot Government recognizes.
- The vessel must be covered by one of the radio traffic accounting authorities which the Cypriot Government recognizes. All maritime radio communications accounts must be paid by an accounting authority. Payments made directly through land earth stations or international service providers are not allowed.
- For the purpose of activation/deactivation for maritime mobile earth stations, vessels should nominate their preferred PSA that the Cyprus Government recognizes.

#### Supporting Documentation/Information

The following documents/information must be forwarded to the Registrar of Cyprus Ships prior to the dispatch of instructions for the provisional registration of the vessel under the Cyprus flag. All documents should be duly executed where applicable.

- Memorandum and Articles of Association of the Cypriot company
- Certificates of Incorporation, Directors and Secretary, Shareholders and Registered Office of the Cypriot company
- In the case of companies established in the EU or EEA or established outside the EU or EEA but controlled by citizens of the EU or EEA, a Notarial Certificate issued by a Notary Public or the competent authority of the relevant State can be submitted instead of the documents mentioned above.
- Resolutions of the Directors of the Company for the



purchase of the vessel and its registration in the Cyprus Registry

- Power of attorney authorising the person who will sign all the necessary documents on behalf and on account of the Company
- Bill of Sale / Builder's Certificate
- Certificate of Deletion of the vessel / Certificate of Ownership and freedom of encumbrances from the previous registry
- Confirmation of Radio Traffic Accounting Authority
- Confirmation of Vessel's Classification Society (where applicable)
- Continuous Synopsis Record (C.S.R.)
- Declaration of ownership
- Appointment of Authorised Representative (M.S. 57)  
\*\*\*
- Registration of a Mobile Maritime Radio Station and copy of Shore Based Maintenance Agreement
- Registration of SAR Particulars
- ISM forms where this is required
- In the case of Parallel Registration in a foreign register, a Certificate of Parallel Registration from the foreign registry.

### Completion of Provisional Registration

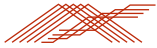
Provided that the relevant fees have been paid and all the necessary documentation has been deposited either with the Registrar of Cyprus Ships or with any diplomatic mission or consular officer of the Republic, the Registrar or the consular officer who has been instructed to carry out the ship's provisional registration will proceed to:

- issue a Provisional Certificate of the Cyprus Registry (form MS.5), which is valid for 6 months from the date of issue;
- issue a provisional radio license;
- advise the vessel's classification society that it may proceed with the survey and certification of the vessel on behalf of the Cypriot government

### Extension of Provisional Registration

A 3 month extension of the ship's provisional registration may be obtained provided the provisional certificate of Cyprus Registry has not expired and the appropriate extension fees have been paid. For this purpose an application has to be made to the Minister of Communications and Works through the Registrar of Cyprus Ships, requesting the extension of the ship's provisional registration.

In the said application, the consular officer of the Republic to whom the Provisional Certificate of Cyprus Registry will be presented for extension should be stated. The Registrar of Cyprus Ships will consider the application and will proceed and instruct the consular officer indicated above to effect the necessary endorsement of the Provisional Certificate of the Cyprus Registry.



## B. Permanent Registration

The permanent registration of a provisionally registered vessel must be effected within 6 months (or 9 months if the 3 month extension has been obtained) from the date on which she was provisionally registered.

After receipt of all the required documents and provided the appropriate fees have been paid, the Registrar of Cyprus Ships will proceed with the permanent registration of the vessel and the issue of the Certificate of Cyprus Registry (form M.S. 4 or M.S.4B).

### Application and Documentation

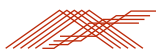
The following documents must be submitted to the Registrar of Cyprus Ships in addition to the documents required for the provisional registration:

- Certificate of Survey (Form M.S.1) and Tonnage Certificate (form M.S.12 or M.S.12A or M.S.12B depending on the type of vessel) from a recognized Classification Society;
- Ship's Carving and Marking Note (M.S. 32);
- The International Certificates from a recognized Classification Society in accordance with the relevant international maritime conventions in force\*;
- Safety Management Certificate (SMC) where this is required\*;
- Confirmation of the Customs Department on the payment of V.A.T. for pleasure craft, where applicable.

### Measurement of the Ship's Tonnages and Ship's Carving and Marking

- The Certificate of Survey and the Cyprus Tonnage Certificate or International Tonnage Certificate (1969) may be prepared by any one of the classification societies recognised by the Cypriot Government or by the Department of Merchant Shipping.
- After receipt of the aforementioned forms, the Registrar of Cyprus Ships allots to the ship her official number (which for ships over 100 GT is identical to the IMO number) and issues the ship's carving and marking note which is given to the owner.

- The owner must then ask a surveyor of ships (surveyors of any of the recognised and authorized classification societies or of the Department of Merchant Shipping) to inspect the ship's carving and marking. When the surveyor is satisfied that these have been made in accordance with the requirements of the aforesaid section, he will complete and sign the lower part of the note, verifying that these have been carried out and return it to the owner.
- The owner should forward the duly verified Ship's Carving and Marking Note to the Registrar of Cyprus Ships in order to enable him to proceed with the permanent registration of the vessel.



## C. Parallel Registration

Under Cypriot legislation parallel (bareboat) registration of vessels is possible. The legislation provides for the two forms of internationally accepted bareboat registration: 'Parallel-in' registration and 'Parallel-out' registration.

These two options offer some very interesting opportunities for leaseback, hire purchase and finance arrangements.

The administrative practice of the Department of Merchant Shipping has confirmed that the parallel (bareboat) registration of vessels under the Cyprus regime may be affected with more than 20 states whose legislation is compatible with Cypriot legislation.

### C.1 Parallel-in Registration

This form of registration offers the possibility to a foreign flag vessel on bareboat charter to a person (legal or physical, qualified to own a Cyprus ship) to be registered in 'parallel' under the Cyprus flag for a period, usually 2 years, which is renewable.

Under this type of registration, the deletion of the registration in the foreign register is not required, but the foreign nationality is suspended and the foreign registry is operative only with respect to the ownership and the encumbrance status of the ship.

The law of the country of the foreign registry must allow the parallel registration of the ships registered in its register.

The application for the parallel-in registration of a vessel is submitted by the bareboat charterer who must be a person (legal or physical) qualified to own a Cyprus ship under the Cypriot merchant shipping legislation and after all the required documents have been provided and the appropriate fees have been paid, the Registrar of Cyprus Ships will proceed with the parallel-in registration of the vessel in the Special Book of Parallel Registration of the Cyprus Register and the issue of the Certificate of Cyprus Registry (form MS.4A).

#### **The following documents must be submitted to the Registrar of Cyprus Ships for this purpose:**

- Application for parallel-in registration by a local lawyer acting on behalf of the bareboat charterer, to the Minister of Communications and Works through

the Registrar of Cyprus Ships, requesting the parallel registration of the vessel in the Register of Cyprus Ships;

- Memorandum and articles of association of the company (bareboat charterer);
- Certificates of incorporation, directors and secretary, shareholders and registered office of the bareboat charterer;
- Resolutions of directors of the company resolving to bareboat charter the vessel and register her parallel-in in the Special Book of Parallel Registration;
- Power of attorney under the common seal of the company, if there is a need to authorise a third person to attend matters in relation to the parallel registration;
- Appointment of Authorised Representative;
- Tonnage certificate of the vessel;
- Certified copy of the bareboat charter party;
- Certified written consent of the owner for the parallel-in registration;
- Certified written consent of the mortgagees, if any;
- Written consent of the foreign register with an official translation;
- Certificate of encumbrances from the foreign register;
- Registration of a Mobile Maritime Radio Station;
- Registration of SAR particulars

#### **The following information must (where applicable) also reach the Registrar of Cyprus Ships:**

- Confirmation of class from the head office of a recognised classification society;
- Confirmation from a recognised radio traffic accounting authority that they will settle the ship's radio maritime accounts;
- Continuous Synopsis Record from the previous register.



### **Tonnage and Name of the Vessel**

For the parallel-in registration, a new measurement of the tonnage of the vessel is not required.

The Certificate of Survey and the Tonnage Certificate are issued on the basis of the corresponding documents of the foreign registry. Ships registered parallel-in may keep the name of the foreign registry, but this name must not be the same as the name of a ship already registered in the Register of Cyprus Ships. Ships registered parallel-in may change their name under the same conditions as those applicable to Cyprus ships registered provisionally or permanently. In such cases, the application must be made by the bareboat charterer with the written consent of the ship owner and of the mortgagees and the submission of the Master's confirmation as to the change of name. The change of name must be notified to the foreign registry.

### **Status of Vessels Registered Parallel-in**

Vessels registered parallel-in in the Register of Cyprus Ships must hoist the Cyprus flag and are not allowed to use the flag of the country of the foreign registry.

The transfer of ownership of a vessel registered parallel-in in the Special Book of Parallel Registration of the Cyprus Register is affected in accordance with the law of the foreign register and not in accordance with the provisions of the Cypriot merchant shipping legislation. The transfer of ownership is only notified to the Registrar of Cyprus Ships who will make the necessary changes in the Certificate of Cyprus Registry. Mortgages are created only by the ship owner, and in accordance with the law of the country of foreign register in which they shall be recorded. The constitution of such mortgages and other encumbrances is only notified to the Registrar of Cyprus Ships. Except for matters relating to the transfer of ownership and mortgages and other encumbrances, all other matters in relation to vessels registered parallel-in in the Register of Cyprus Ships are governed by the Merchant Shipping (Registration of Ships, Sales and Mortgages) Law, 45/63 as amended.

The extension of the status of the parallel registration and the registration of the vessel parallel-in is allowed, so long as the prerequisite conditions according to the law applicable at the time of the initial registration continue to apply.

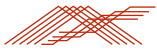
### **Termination of Parallel-in Registration**

The termination of the status of a vessel registered parallel-in is effected in the following cases:

- Where the foreign registry revokes its consent for the parallel-in registration in the Register of Cyprus Ships;
- In case of termination of the bareboat charter;
- Upon the lapse of the period of time for which the Minister of Communications and Works has approved the parallel-in registration of the vessel;
- If there exists any reason for deletion which, under the Cypriot merchant shipping legislation, applies in cases of ships provisionally or permanently registered in the Register of Cyprus Ships.

Upon such a termination the vessel is deleted from the Special Book of Parallel Registration of the Cyprus Register.





## C.2. Parallel-out Registration

Under the Merchant Shipping (Registration of Ships, Sales and Mortgages) Law, 45/63 as amended, Cyprus ships may be bareboat chartered to a foreign person or company and registered 'parallel-out' in a foreign register for the duration of the charter party. This so called 'Parallel-out' registration allows the financing of a ship and her mortgaging under the Cyprus flag and her registration in a foreign registry through a bareboat charter arrangement.

The parallel-out registration of a Cyprus ship is possible if she is bareboat chartered to a foreign individual or corporation and the law of the country of the foreign registry allows the parallel registration of vessels of another registry, under prerequisite conditions similar to those set out for the parallel-in registration of ships in the Register of Cyprus Ships.

This type of registration is possible for Cyprus ships which are provisionally or permanently registered in the Register of Cyprus Ships. The parallel-out registration of a Cyprus ship must be approved by the Minister of Communications and Works.

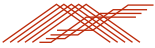
### Application and Approval

The application for the parallel-out registration of a Cyprus vessel is effected by her owner

Provided that the appropriate fees have been paid and all the necessary documentation has been deposited with the Registrar of Cyprus Ships, the Minister of Communications and Works may allow the parallel-out registration of the vessel for a period not greater than 3 years. Such a period is renewable if the conditions imposed on first registration continue to apply. Upon the approval by the Minister of the parallel-out registration of the vessel, the Cypriot nationality of the vessel is suspended and the Cyprus Certificate of Registration must be delivered to the Registrar of Cyprus Ships.

### **The following documents duly executed (where applicable) must be submitted to the Registrar of Cyprus Ships for this purpose:**

- Application for parallel-out registration by a local lawyer acting on behalf of the registered owner, to the Minister of Communications and Works through the Registrar of Cyprus Ships, requesting the parallel-out registration of the vessel;
- Resolutions of the directors of the ship owning company resolving to bareboat charter the ship
- Power of attorney if a third person is signing the bareboat charter party on behalf of the owners;
- Certified copy of the bareboat charter party;
- Certified written consent of the bareboat charterer for the parallel-out registration;
- Original certificate of Cyprus Registry;
- Written consent of the foreign registry confirming also that the law of the country allows the parallel registration of the Cyprus ship in its register with an official translation;
- Certified written consent of the mortgagees, if any;
- Confirmation from a recognised radio traffic accounting authority that they will continue to settle the vessel's radio maritime accounts;
- Common declaration by the ship owner and charterer that they undertake to produce to the Registrar within one month, a certified copy of the foreign certificate of parallel registration and to notify every alteration which takes place regarding the name or other particulars of the ship, during the period the status of parallel registration of the ship in the foreign register is in force



### **Status of Vessels Registered Parallel-out**

Cyprus vessels registered parallel-out must hoist the flag of the foreign registry and cannot use the Cyprus flag. Also, the port of registry marked on the stern of the vessel must be that of the foreign registry.

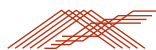
Transfers of ownership and any transactions affecting mortgages (i.e. creation, registration, transfer and discharge) on Cyprus ships registered parallel-out are exclusively governed by Cypriot legislation and no action in relation to these matters may be taken by the foreign registry.

Entries made in the Register of Cyprus Ships regarding transfers of ownership or mortgages on Cyprus ships registered parallel-out, are only notified by the Registrar of Cyprus Ships to the foreign registry.

### **Termination of Parallel-out Registration**

The status of the vessels registered parallel-out continues to be in force for the duration of the charter party, if the approval of the Minister and the consent of the foreign registry are in force, but in any case for a period not greater than 3 years, unless it is renewed. The Certificate of Cyprus Registry is returned to the ship owner as soon as the parallel-out registration is terminated.





## Registration fees

In terms of registration fees and taxes, Cyprus is considered to be among the most competitive shipping centers in the world. The fees listed below are lower than those of Cyprus' main competitors.

### For vessels other than passenger ships:

Gross Tonnage GT	E/GT
For each gross unit up to 5.000	0,170860
For each gross unit between 5.001-10.000	0,136688
For each gross unit over 10.000	0,068344
The minimum fee is €213,58 and the maximum fee is €5.125,80	

### For passenger ships:

Gross Tonnage GT	E/GT
For each gross unit	0,256290
The minimum fee is €427,15	



## Government policy for the registration of ships

Except as noted below, vessels of any type may be registered in the Cyprus Register of Ships or the Special Book of Parallel Registration as long as they comply with the provisions contained in the merchant shipping legislation and the circulars of the Department of Merchant Shipping and satisfy certain conditions according to the age and type.

### **Ships which do not qualify for registration**

The Registrar of Cyprus Ships will not consider applications for the registration in the Register of Cyprus Ships or in the Special Book of Parallel Registration of ships which have been constructed for exclusive use on inland navigation and vessels which are banned by any MoU on port state control or a port state on grounds of safety, pollution prevention or for security reasons are not accepted for registration in the Cyprus Register of Ships.

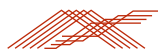
Furthermore, vessels detained by port State control authorities three (3) or more occasions during the two (2) years period prior to the date of application for registration by States of the Paris or the Tokyo or the Mediterranean Memoranda of Understanding on port State control or by the United States Coast Guard on grounds of safety, pollution prevention or for security reasons are not accepted for registration in the Cyprus Register of ships.

### **Age related requirements**

The registration in the Register of Cyprus Ships or the Special Book of Parallel Registration of the ships of the types specified in the table below may be allowed provided:

- the age of the ship does not exceed the maximum age limit corresponding to the type of the ship; and
- the related conditions corresponding to the type of the ship (i.e. entry inspection and additional inspection) are complied with.

The entry inspection and the additional inspections specified in the table below are required to be carried out in case the age of the ship is equal or greater than the number of years indicated under the related conditions corresponding to the type of the ship.



## Age related requirements

Type of ship	Maximum age limit	Related conditions	
		Entry inspection	€ TT per 400 NT
Cargo ships and Cargo High Speed Craft	Yes ≤ 25 years	Yes if ≥ 15 years	No
Passenger ships and Passenger High Speed Craft engaged on international or short international voyages	No	Yes if ≥ 30 years	Yes if 2 years ≤ Age ≤ 10 years Biennial if Age > 10 years Annual
Passenger ships and Passenger High Speed Craft engaged on domestic voyages within the territory of a State, other than Cyprus	No	Yes if ≥ 25 years	Yes if 2 years ≤ Age ≤ 10 years Biennial if Age > 10 years Annual
Passenger ships and Passenger High Speed Craft engaged on domestic voyages within the territory of Cyprus	No	Yes if ≥ 20 years	No In order to operate they are required to be inspected and certified annually
Fishing vessel	Yes ≤ 25 years	Yes if ≥ 20 years	No
Floating Production Storage Offloading; Floating Storage Offloading Vessels and Mobile Offshore Drilling Units	Yes ≤ 25 years	Yes if ≥ 15 years	No
Ships of types other than those listed above	Yes ≤ 35 years	Yes if ≥ 20 years	Yes if the ship is carrying industrial or special purpose personnel and 2 years ≤ Age ≤ 10 years Biennial Age > 10 years Annual



## Registry Transactions and Mortgages

### The Register of Cyprus Ships

Transfers and transmissions of ownership, as well as registrations, discharges, transfers and transmissions of mortgages must be recorded in the Register of Cyprus Ships. The relevant application must be submitted to the Registrar and the relevant documents may be deposited with the Registrar or a consular officer on the instructions of the Registrar.

### Change of Ship's Name

A change of the ship's name may be effected by submitting an application to the Registrar. When the change of name is approved, a period of 3 days must lapse from the date of application before the new name can be marked on the ship and the ship's documents be endorsed to this end. It should be noted that no two ships registered under the Cyprus flag may have either the same or closely similar names.

### Deletion

A Cyprus ship must be deleted from the Register of Cyprus Ships as soon as the ownership is transferred to a person (legal or natural) not qualified to own a Cyprus ship under the merchant shipping legislation.

A Cyprus ship may be deleted from the Registry upon the submission of an application by the owner of the ship in order for the same to be registered in a foreign registry.

No export license is required for the deletion of a vessel from the Register of Cyprus Ships. A deletion certificate or a Closed Transcript of Registry is issued as soon as the registered mortgages and other encumbrances are discharged and all matters pending with the Registry, including financial obligations, are settled.





## Mortgages

With the registration of a ship under the Cyprus flag, a mortgage can be created thereby securing a loan or other financial obligations on conditions agreed to by the parties, without the need for exchange control permission. The creation of a mortgage under Cypriot laws is not allowed on vessels registered parallel-in in the Register of Cyprus Ships.

A mortgage once created must be deposited with the Registrar of Cyprus Ships or with a consular officer on the instructions of the Registrar. Whether deposited with the Registrar or with a consular officer, the mortgage is recorded thereafter in the Register as from the date and time of its deposit and remains an encumbrance on the vessel until discharged by the mortgagees. A mortgage may be created independently of whether the ship is provisionally or permanently registered.

If the ship on which a mortgage was created belongs to a Cypriot company, the mortgage will also have to be registered with the Registrar of Companies within a maximum period of 42 days after its creation. The mortgagee's security is protected in the case of liquidation of the ship owning company. Transfer of a mortgage may be affected by completing the statutory form of transfer and submitting it to the Registrar of Cyprus Ships or to a consular officer.

In order to discharge a mortgage, a memorandum of discharge will need to be duly executed by the mortgagee. It will then have to be attested and delivered to the Registrar of Cyprus Ships or a consular officer on the instructions of the Registrar.





## Anti-piracy law in Cyprus

The Protection of Cyprus Flag Ships from Acts of Piracy and other Unlawful Acts Law 77(I) 2012, hereinafter referred to as **“the Law”**, effective as of 15 June 2012, has been designed to enhance the security of the ships flying the Cyprus flag (Cyprus ships) whilst at sea.

### The effect of the Law

The Law provides the requisite legal guidelines for Ship owners, Bareboat charterers and Ship-managers with regards to measures they need to implement for a passage through the High Risk Areas (“HRA”), how they can engage the services of a Private Ship Security Company, (“PSSC”) for a transit through the HRA as well as the procedure that a PSSC needs to adhere to prior to acquiring a license to provide such services on board Cyprus flagged vessels.

The Law also provides that only PSSCs who are certified to provide security related services on board Cyprus flagged vessels are allowed to embark security guards and weapons for such transits through the HRA. A complete, updated, list of the approved PSSC’s can be found online at the Cyprus Department of Merchant Shipping website.

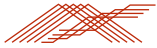
### Applicable geographical area

It is worth noting that the Law has a global geographical application and each person on board the vessel is bound by the laws of Cyprus regardless of the fact that the vessel might be transiting on International waters. For ease of reference the First Schedule of the Law provides the coordinates and defines the High Risk Areas.

### Main provisions of the Law

Cyprus ships are required to implement compulsory security measures when navigating through HRA.

The Law allows the operator of a Cyprus ship to request, on the basis of a reasoned and justified security risk assessment, a permission to engage the services of a private ship security company providing armed or unarmed private ship security guards when the ship is navigating through HRA. The private ship security company and its security personnel should be one of those the Government of the Republic has vetted and certified as being allowed to provide security related services to Cyprus ships.



### **Obligations regarding services of PSSC and weapons**

The engagement of a PSSCs is effected through with a written agreement between Ship owner/Charterer or Manager and the PSSC (usually with a GUARDCON or amended form of it). The Master has the obligation to supervise the implementation of the agreement. The storage of firearms must be done in such a way as no other person on board has access apart from the PSSC when that is deemed necessary and when in the HRA.

### **Approval of a PSSC under Cyprus flag**

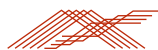
This can be done for any PSSC which is incorporated under the laws of Cyprus or has a legal representative in Cyprus. It is a criminal offence for a PSSC to embark guards or weapons on board a Cyprus flagged vessel without being authorised to do so. If the PSSC is a company that has its registered office central administration or principal place of business in another country an authorised representative must be appointed in Cyprus. An authorised representative can be a citizen or a resident of Cyprus as per the Income Tax Laws of 2002 to Law (No.2) of 2011. This encapsulates both partnerships and companies incorporated under the laws of Cyprus provided they conduct business operations in Cyprus and employ permanent personnel in Cyprus.

The authorised representative is only required when the Private Ship Security Company has its registered office, central administration or its principal place of business is in another country.

### **Other provisions of the Law**

- Regulation over the protection of Cyprus ships by the Armed Forces or Security Forces of other States
- The right of the shipboard personnel for self – defense
- The right of the shipboard personnel to arrest and detain





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