



YACHT SERVICES

INTRODUCTION

Over the past years, Cyprus has developed into a modern shipping state building a strong reputation as operating a 'high quality' flag and as a commercial hub for international shipping business. A key maritime centre, Cyprus offers an attractive regulatory environment for the registration of ships and yachts and for the establishment and operation of ship-management companies.

Very competitive yacht registration fees, low annual registry fees and a number of other tax and VAT advantages make Cyprus an attractive yachting destination. In fact, the island is now one of the most cost-efficient regimes for yacht and ship registration in the EU.

WHY CYPRUS

- An open high- quality European flag.
- An efficient Department of Merchant Shipping and Ship Registry.
- Competitive yacht registration fees.
- Very low annual fees and other tax benefits for yacht owners.
- An attractive VAT yacht leasing scheme where the VAT on the purchase of a yacht may be reduced as low as 1.90%.
- No restrictions on the nationality of directors and shareholders of Cyprus companies.
- No restrictions on the mortgaging and/or sale of Cyprus companies.
- A hub for international business with a wide network of UK educated lawyers and accountants.

THE CYPRUS VAT YACHT LEASING SCHEME

In 2012, the Cyprus VAT Department introduced a VAT leasing scheme providing significant opportunities to reduce the VAT cost of purchasing a yacht. The Scheme requires the yacht to be purchased by a leasing company and leased under a finance lease to the user who has the option to acquire the yacht at the end of the lease period.

THE APPLICABLE VAT RATE

The VAT treatment of the leasing of a yacht for non-commercial use is that of 'provision of services' and VAT may be deducted on any expense directly related to such activity. The VAT rate will be 19% where the yacht is used within the EU.

Due to technical difficulties in monitoring the movement of yachts and in order to determine the amount of time a yacht is considered to sail within and outside EU territorial waters, the Cyprus VAT department published two tables defining the deemed percentage portion of the leasing used within the EU territorial waters. These percentages depend upon the size and type of the yacht. The larger the size of the yacht the more it is deemed to sail outside EU territorial waters.



MOTOR YACHTS

LENGTH	% IN EU TERRITORIAL WATERS	VAT PAYABLE
MORE THAN 65m	10%	10% OF 19%
45.01 – 65m	15%	15% OF 19%
24.01 – 45m	20%	20% OF 19%
14.01 – 24m	30%	30% OF 19%
8.01 – 14m	50%	50% OF 19%
UP TO 8m	60%	60% OF 19%
RESTRICTED WITHIN PROTECTED WATERS ONLY	100%	100%



SAILING YACHTS

LENGTH	% IN EU TERRITORIAL WATERS	VAT PAYABLE
MORE THAN 65m	10%	10% OF 19%
45.01 – 65m	15%	15% OF 19%
24.01 – 45m	20%	20% OF 19%
20.01 – 24m	30%	30% OF 19%
10.01 – 20m	50%	50% OF 19%
UP TO 10m	60%	60% OF 19%
YACHT ONLY LICENSED TO BE USED WITHIN CYPRUS WATERS	100%	100%

* These rates have been updated by the Cyprus VAT Department on 29.04.2015 as per circulars 181,188 and 191.

ENROLMENT PROCEDURE

- A formal application accompanied by the certificates, survey of the yacht and the bill of sale are filed with the Cyprus Tax Department.
- The Cyprus VAT Commissioner grants a 'prior confirmation' of the applicable VAT rate.
- A Cyprus Company should be formed and registered at the Cyprus Companies Registrar to act as the lessor. The lease agreement will be drafted between the Cyprus leasing Company and the lessee who may either be a company or a physical person.
- The yacht must be brought to Cyprus within one month of the signing of the lease agreement.
- The lease agreement and all supporting documents are filed with the Cyprus VAT Department.
- The VAT Commissioner provides a 'prior confirmation' of the applicable VAT rate.

MANDATORY CONDITIONS OF THE LEASE AGREEMENT

- The lessor must be a Cyprus company.
- An amount that equals 40% of the value of the yacht must be paid on the outset. This will be subject to the applicable VAT rate as per the above charts.
- The Lease period should not be less than 3 months or exceed 4 years. The lease payments will be subject to the applicable VAT rate as per the above charts.
- The profit of the lessor over the term of the lease must exceed 5% of the value of the yacht. This profit is subject to 12.5% corporate tax.
- The VAT payable rate and the declared value of the Yacht must be approved by the VAT Commissioner.
- The final contribution at the end of the lease period should exceed 2.5% of the total value of the yacht and this will be taxed at a VAT rate of 19%.
- If the lessee exercises the option to purchase the yacht, the VAT Department will issue a Certificate of VAT payments.



ILLUSTRATION

- For a 25 meters motor yacht of €3,000,000 value, the applicable VAT rate as per the above charts would be 3.8% (20% of the 19% VAT rate).
- An initial payment of 40% of the yacht's value must be paid at the outset. The amount of €1,200,000 would be taxed at the 3.8% VAT rate.
- The remaining €1,800,000 plus 5% profit (€150,000) would be settled in monthly lease payments and would be taxed at the 3.8% VAT rate.
- At the end of the lease period, the final contribution must at least be 2.5% of the yacht's value (i.e. €75,000) which will be subject to a 19% VAT rate.

	AMOUNT	VAT RATE	VAT PAID
Initial payment of 40%	€1,200,000	3.8%	€45,600
Lease payments including 5% profit on the value of the yacht	€1,875,000	3.8%	€71,250
Final contribution of 2.5%	€75,000	19%	€14,250
Total VAT payable		4.37%	€131,100



MOTOR YACHTS

LENGTH	EFFECTIVE VAT RATE
MORE THAN 65m	2.42%
45.01 – 65m	3.40%
24.01 – 45m	4.37%
14.01 – 24m	6.32%
8.01 – 14m	10.21%
UP TO 8m	12.16%



SAILING YACHTS

LENGTH	EFFECTIVE VAT RATE
MORE THAN 65m	2.42%
45.01 – 65m	3.40%
24.01 – 45m	4.37%
20.01 – 24m	6.32%
10.01 – 20m	10.21%
UP TO 10m	12.16%



OUR SERVICES

- Registration of Yachts under the Cyprus flag.
- Formation of company to own or lease yachts.
- Assistance in enrolling under the Cyprus VAT Yacht Leasing Scheme.
- Drafting of the Lease Agreement and execution of the lease payments.
- Accounting and Book-keeping services for yacht owning and yacht leasing companies.
- Tax advice.
- Payroll services for the crew.

**FOR ANY FURTHER INFORMATION
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