

MERCHANT SHIPPING

Advantages:

- European Union and European Monetary Union Member State.
- Strategic Location at the crossroads of three continents.
- Robust Credit Ratings.
- Lowest Corporate Tax Rate in the EU – 12,5% on profits.
- Liberal Foreign Direct Investment Regime allowing up to 100% foreign participation in most sectors of the economy.
- No Exchange Control and freedom of movement of foreign currency.
- Double Tax Treaties with 60 countries.
- Bilateral Agreements of Cooperation in Merchant Shipping with 23 countries including major labor supplying countries.
- Low Set Up and Operating Costs for companies.
- VAT exemption for international transport services when the effective use and enjoyment of the services takes place outside the EU.
- Special taxation for shipping companies: Shipowners, charterers and ship managers participating in the Cyprus tonnage tax system, are exempted from income tax and any other tax or levy on dividends paid to shareholders, on interest earned on working capital and on any profit made from the sale of a qualifying ship.
- No estate duty on the inheritance of shares in a ship owning company.
- No income tax on the emoluments of officers and crew on board of a Cyprus ship.
- No stamp duty on ship mortgage deeds or other security documents.
- Signatory to numerous international maritime conventions.
- Modern and Efficient Legal, Accounting and Banking Services based on English practices.
- Advanced Telecommunications Network and easy access by air and sea.
- Highly Educated, Qualified and Multilingual Personnel.
- Poised for Long Term Growth.
- Envious Quality of Life

Cyprus as A Maritime Centre

Cyprus managed to attract shipping entrepreneurs and develop the island into a fully-fledged shipping center combining both a sovereign flag and a resident shipping industry, which is renowned for its high-quality services and standards of safety. The island's strategic location, which is at the crossroads of three continents (Europe, Asia, Africa) enabled Cyprus to play a prominent role in its success as an international shipping center.

Cyprus combines a legal system based on the English model, an efficient civil service, good labor relations, an outstandingly high level of professionalism in the legal and accounting sectors, an excellent banking system, telecommunications and airlinks to all important destinations, that form solid foundations for entrepreneurs to set up their business.

A few fiscal and economic advantages are also available, such as the competitive ship registration costs and annual tonnage taxes, the favorable tax regime for Shipmanagement

and other international business enterprises, the availability of competent local employees and the generally low operation and construction costs, which prompted the establishment by many European entrepreneurs of local companies with fully fledged offices in the island.

Cyprus is a major ship management center worldwide with a total of around 60 ship management companies operating in its territory. Several of these companies rank among the largest of their kind in the world. Cyprus appears to be among the top five countries and territories in the world with the largest number of third-party ship management companies on its territory

Among the ship management companies established and operating from the Republic of Cyprus, 87% are controlled by Cypriot and EU interests. Such companies employ almost 40.000 seafarers out of whom 5.000 are EU nationals. The share occupied by the fleet managed from Cyprus in the world ship management market constitutes another interesting aspect. According to recent governmental estimates, the total fleet managed from Cyprus represents 20% of the world third-party ship management market (out of 10.000 ships in the world ship management market under a wide approach).

Cyprus and the International Maritime Organization

Cyprus has been a member of the International Maritime Organization since 1978 and a member of its Council since 1987. Cyprus has always been a keen supporter of the IMO as the principal international regulatory body on matters of maritime safety, security and the protection of the marine environment and remains a fervent supporter of its aims and objectives.

The supportive attitude of Cyprus towards the IMO can be easily traced to the fact that the Government of the Republic of Cyprus maintains a permanent Mission at the IMO and has ratified almost all International Conventions developed by the Organization on maritime safety and security the protection of the marine environment and legal matters.

In addition, Cyprus participates actively in all Committees and Subcommittees of the Organization, either through its High Commission in London or through well-organized expert Delegations from Cyprus, mainly from the Department of Merchant Shipping which is the competent Department of the Ministry of Communications and Works on matters pertaining to ship safety, security and prevention of pollution from ships.

Cyprus has been a fervent supporter of and a contributor to the development of the new strategy of the Organization and played a leading role in the formulation of the 2002 amendments of the SOLAS'74 (Safety of Life at Sea) Convention, for the incorporation of security issues, by chairing the drafting Committee of the Diplomatic Conference.

Cyprus' commitment to the work of the Organization in general may also be traced to the fact that between the years 2001 and 2003, it was holding the chair of the subcommittee on Ship Design and Equipment and since 2003 to date it has been successively elected to the chair of the Marine Environment Protection Committee.

Although the IMO is at the moment dealing with a variety of issues, it may be highlighted that Cyprus is very supportive of the ongoing work on Goal Based Standards, the drafting of the new International Convention of ship recycling, the review of MARPOL Annex VI and the

Voluntary Member States Audit and as far as the latter is concerned Cyprus has undergone the voluntary audit with great success in October 2006 .

Last but not least, Cyprus is very supportive of the educational Institutions of the IMO, namely the World Maritime University (WMU) in Malmoe, Sweden, the IMO-International Maritime Academy (IMA) in Trieste, Italy and the International Maritime Law Institute (IMLI), by having students participating whenever the need arises, in the case of the WMU, Cyprus participates with a member of the board of Governors and supports it financially.

Double Tax Treaties

Cyprus has concluded a number of treaties whose main purpose is the avoidance of double taxation of income earned in any of the countries concerned. The treaties also include articles on "non-discrimination", "mutual agreement procedures" and "exchange of information.

Merchant Shipping Agreements

The aim of these agreements is to promote friendly relations between Cyprus and other countries, explore areas of cooperation related to shipping which could benefit the economic development of both countries, and facilitate seaborne trade and employment of seamen.

These agreements contain provisions for the employment on Cyprus ships of properly qualified seamen from these countries. The terms of employment of these seamen are those approved by the competent authorities and / or seamen's unions of their country and any disputes regarding these, may be resolved exclusively by the competent courts or Authorities of either Cyprus or their country.

Cyprus signed several bilateral Agreements on Merchant Shipping with a number of countries as follows: Algeria, Bulgaria, China, Cuba, Egypt, Georgia, India, Iran, Israel, Italy, Jordan, Korea, Latvia, Lithuania, Malta, Mauritius, Philippines, Poland, Romania, Russia, Sri Lanka, Syria, Ukraine.

Cyprus Performance on Maritime Safety and Security

Since the beginning of the accession negotiations, Cyprus had to embark on a new maritime policy, focused on the enhancement of maritime safety and maritime security.

The importance that Cyprus attaches to maritime safety is reflected in the substantial amount of work completed for harmonization of its legislation with the European Acquis and its effective implementation. Several measures have been introduced for the effective control of the fleet and the maintenance of high standards of safety.

A stricter registration procedure is applied during the last few years and extensive surveys of ships applying for registration under the Cyprus Flag are undertaken by surveyors on behalf of the administration to eliminate substandard vessels, which might damage the reputation of the Cyprus flag internationally.

Furthermore, a series of proactive measures have been adopted for high-risk vessels, particularly overaged bulk-carriers which are scheduled for structural surveys at drydock. This measure led to the flagging out of high-risk vessels before their scheduled survey.

Unscheduled inspections of Cyprus flag ships are carried out by surveyors and inspectors of the Department of Merchant Shipping (DMS) where attention is given to the size, type and age of the ships, the qualifications of their crew and the living and working conditions on board.

Special procedures for inspection following detention of Cyprus flag ships by foreign Port State Control authorities have been adopted and follow-up action is taken by both the recognized classification societies and the surveyors and inspectors of the DMS. Inspections of foreign ships calling at Cyprus Ports are carried out, in accordance with international conventions (IMO and ILO), which are currently in force.

To provide adequate coverage of inspections globally, the worldwide network of Inspectors of Cyprus ships has been further expanded and comprises at present 33 surveyors covering 23 important ports in 14 countries. In addition, the Department of Merchant Shipping has been continuously strengthened with professional staff, where its present capacity of 39 highly qualified Marine Surveyors and 16 Merchant Shipping Officers.

All efforts and measures taken by the Department of Merchant Shipping to minimize the number of casualties and the rate of port state control detention record of the Cyprus fleet, have paid off for Cyprus, which is now classified in the White list of the Paris MOU and Tokyo MOU.

The main thrust of the efforts of the Department of Merchant Shipping is now directed at the training and certification of Seafarers and their conditions of living and work on board Cyprus flag ships. The Maritime administration circulated specific guidelines to all recognized and authorized Classification Societies advising them to intensify and widen the scope of their surveys and include systematic checks of important ILO conventions requirements.

Attention is also given to the protection of the environment and the prevention of marine pollution. In that respect the DMS implements the EU Regulation for the accelerated phasing out of the single hull tankers.

The DMS concentrates its efforts on maritime security. The International Ship and Port Facility Security Code has been adopted and is implemented. All ships under the Cyprus flag as well as all port facilities in Cyprus have been duly certified as complying with the requirements of this Code.

The quality and speed of services rendered by the Department of Merchant Shipping is an important aspect, which affects the competitiveness of the flag. An upgrade of the services rendered will be achieved with the completion of the project MARCOS for the full computerization of the Department, which is expected to become fully operational soon.

The Department of Merchant Shipping to upgrade the quality and speed of its services is preparing for a quality assurance certification according to the ISO 9001:2000 standard,

whereas the Maritime Training and Certification Division of the Department, is already ISO certified since February 2004.

A Successful Fiscal Policy

Ship owning companies pay tax based on the tonnage of the Cyprus flag ships they own, while ship management companies operating in Cyprus will have the option either to pay tax at a fraction of the normal rate, on the basis of the tonnage of the ships they manage, except that of the Cyprus flag ships under their full management, or to pay tax on their income at a rate of 4,25 percent.

Cyprus In the Eu

Cyprus has the third largest fleet within the European Union with a percentage of 12,13% of the total fleet of the 28 EU member states. The harmonization with the EU acquis expedited the modernization of the Cyprus maritime legislation in the fields of maritime safety and security.

The Cyprus Merchant Shipping Legislation has been amended in order to remove any discrimination between Cypriot citizens and citizens of the other EU member states so that, citizens of member states and corporations established and operating in member states of the EU, are also qualified to own Cyprus ships. Under this amendment this possibility is also extended to citizens or corporations of member states of the European Economic Area (EEA).

The EU benefits from Cyprus in terms of knowhow regarding ship registry and ship management as well as from the dominant position it has acquired in world shipping because of the substantial increase of the fleet under its control.

The shipping infrastructure that Cyprus created over the past decades has contributed to an efficient shipping environment and expertise that many EU countries lack.

With the accession of Cyprus to the European Union, the voice of the European Union at international Organizations such as the IMO and the ILO will become even stronger and its involvement in decision making will be more significant.

Since Cyprus is fully harmonized with all international instruments currently in force as well as with the regulations and directives of the European Union, the Cyprus flag is turning into a flag of quality, which is bound to attract high quality tonnage.

Cyprus shipping has great potential to expand further and the Cyprus Registry to grow during the years to come, under the new image of a quality oriented and competitive shipping center.