

Shipping & Transport - Cyprus

Clarification of tax returns to be submitted by Cyprus shipowners

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The Department of Merchant Shipping has issued Circular 22/2012 clarifying the tax returns that must be submitted by companies that own or are bareboat charterers of Cyprus ships.

Provided that they are engaged in qualifying shipping operations, as described in the Merchant Shipping (Fees and Taxing Provisions) Law 2010, such companies are exempt from corporate income tax under the Income Tax Laws 2002 (as amended) on:

- income of a qualifying owner or charterer derived from the operation of a qualifying ship in a qualifying shipping activity;
- income of a qualifying ship manager from the rendering of crew or technical management services (ship management) to a qualifying ship;
- profit dividends paid to shareholders directly or indirectly, from either:
 - the operation or ship management of a qualifying ship, or
 - the sale of a qualifying ship (only for owners);
- bank interest earned on working capital or shipping revenue, provided that the working capital or shipping revenue concerned is used by:
 - a qualifying owner to pay expenses for the financing, operation or maintenance of the ship;
 - a qualifying charterer to pay expenses arising out of the charterparty; or
 - a qualifying ship manager to pay expenses relevant to the management of qualifying ships; and
- income or profit made by a qualifying owner from the sale of a qualifying ship or from the sale of any shares in a qualifying owner entity that owns a qualifying ship.

However, it appears that the Inland Revenue Department has sent notifications to submit a company income tax return for 2011 (Form IR4) and an employer's return for the 2011 tax year (Form IR7) to a number of companies that are registered owners or registered bareboat charterers of Cyprus ships.

Following consultations between the Inland Revenue Department and the Department of Merchant Shipping, it has been confirmed that all registered owners and bareboat charterers of Cyprus ships that have duly submitted Form MS TT8, in accordance with the Department of Merchant Shipping's Circulars 6/2012 and 11/2012, and that earn no income from a non-qualifying activity but confine their activities to the operation of the Cyprus ships in maritime transport, need not complete Forms IR4 and IR7.

However, registered owners and bareboat charterers of Cyprus ships that either have not submitted Form MS TT8, or have submitted Form MS TT8 but have declared in such form that they also earn income from a non-qualifying activity, must complete Forms IR4 and IR7 and submit them to the Inland Revenue Department.

*For further information on this topic please contact **Costas Stamatiou** at **Andreas Neocleous & Co LLC** by telephone (+357 25 110 000), fax (+357 25 110 001) or email (stamatiou@neocleous.com).*

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