

## Shipping & Transport - Cyprus

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### Department sets deadline for applications to 2011 tonnage tax scheme

Contributed by **Andreas Neocleous & Co LLC**

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The Department of Merchant Shipping recently issued Circular 11/2011 regarding the introduction of tonnage tax under the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law (2010). Early action is required in order to meet the deadline for submission of the necessary application.

Qualifying Cyprus tax-resident owners of foreign ships, charterers and ship managers may opt to be taxed under the tonnage tax scheme in respect of any particular fiscal year under Sections 7, 19 and 29 of the law, respectively.

In order to do so, they must submit a completed application for approval of the option to be taxed under the Cyprus Tonnage Tax System on Form MS TT 1 to the director of the Department of Merchant Shipping, with a copy to the income tax commissioner, no later than 30 days before the beginning of the relevant year.

The Department of Merchant Shipping will review the application and its supporting documentation and will notify the applicant and the income tax commissioner within 30 days as to whether the applicant qualifies. If the application is approved, the option will be effective as from the date of receipt of the application and will remain in force until it expires or is subsequently withdrawn by the owner, charterer or ship manager, as the case may be.

A notice of withdrawal given during the course of any year will take effect from the last day of that year. If early withdrawal takes place other than as

a result of the disposal of the ships, termination of the charters or cessation of all ship management activities, the tax liability will be recalculated as if the option to be included in the tonnage tax scheme had never been exercised and the taxpayer will be required to pay any shortfall.

Taxpayers wishing to be included in the scheme for 2011 were unable to do so within the time allowed by the tonnage tax law, since the necessary subsidiary legislation for implementation of the law was not in place at the time. Accordingly, the Department of Merchant Shipping has set a deadline of May 31 2011 for receipt of applications from owners of foreign ships, charterers and ship managers wishing to be taxed under the tonnage tax system for the 2011 fiscal year. If an application is approved, the option will be retrospectively effective from January 1 2011.

*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](mailto:stamatiou@neocleous.com)).*

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## Author

### Costas Stamatiou



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