



DIX CART

CYPRUS – AN ATTRACTIVE EU YACHT SCHEME

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CYPRUS - AN ATTRACTIVE EU YACHT SCHEME

Background

The Cyprus VAT Department has issued various guidelines (2012, 2014 and 2015) which have made Cyprus one of the most attractive jurisdictions for yacht registration in the European Union.

Guidelines Issued in 2015

- In April 2015 the Cyprus VAT Department issued a new circular reducing the applicable VAT payable on yacht lease payments to as low as 1.9%.

The reduced rates were made applicable to yachts (motor and sailing boats) over 45 metres in length, with those over 65 metres enjoying the 1.9% VAT rate on lease payments.

Definitions and the Process

A Yacht Leasing Agreement is an agreement where the lessor (owner of the yacht) enters into a contract with the lessee (the person who leases the yacht) to use the yacht for a consideration.

The lessee may also choose to purchase the yacht at a price which is a percentage of the initial value of the yacht. The purchase is strictly an option which the lessee may exercise at the end of the lease period.

Generally lease instalments are paid into a Cyprus bank account. However a Cypriot company (owner and lessee) can choose to open and operate bank accounts anywhere in the world.

VAT Treatment of the Lease Agreement

For VAT purposes the leasing of a yacht constitutes the supply of a service with the right to an input VAT deduction, in accordance with provisions of the Cyprus VAT legislation.

The supply of a service constitutes a taxable transaction, subject to the standard VAT rate (currently 19% in Cyprus) but **only** to the extent that the leased yacht is used in the territorial waters of the European Union (EU).

An essential condition of the Yacht Scheme is that the lessor must be a company registered in Cyprus. The lessee on the other hand can be a legal or physical entity resident anywhere in the world.

Method of Calculating Use of the Yacht within EU Territorial Waters

For the purposes of calculating the yacht's specific rate of use within EU waters there is no requirement to maintain detailed records or log books regarding the movement of the yacht.

Cyprus VAT will only be applied to a percentage of the lease fee and this percentage is based on the length and type of the yacht (motor or sailing boat).

Applicable Cyprus VAT Rates – Tables Designating the Percentage of Use within EU Waters

Table A: MOTOR BOATS

Boat Length	Designated Percentage Use Within EU for calculation purposes	VAT Calculation	Resulting VAT payable
Length over 65 metres	10%	10% of consideration x 19%	1.9%
Length between 45.01 and 65 metres	15%	15% of consideration x 19%	2.85%
Length between 24.01 and 45 metres	20%	20% of consideration x 19%	3.8%
Length between 14.01 and 24 metres	30%	30% of consideration x 19%	5.7%
Length between 8.01 and 14 metres	50%	50% of consideration x 19%	9.5%
Length below 8 metres	60%	60% of consideration x 19%	11.4%
Boats only allowed to sail within protected waters	100%	100% of consideration x 19%	19.0%

Table B: SAILING BOATS

Boat Length	Designated Percentage Use Within EU for calculation purposes	VAT Calculation	Resulting VAT Payable
Length over 65 metres	10%	10% of consideration x 19%	1.9%
Length between 45.01 and 65 metres	15%	15% of consideration x 19%	2.85%
Length between 24.01 and 45 metres	20%	20% of consideration x 19%	3.8%
Length between 20.01 and 24 metres	30%	30% of consideration x 19%	5.7%
Length between 10.01 and 20 metres	50%	50% of consideration x 19%	9.5%
Length below 10 metres	60%	60% of consideration x 19%	11.4%

Cyprus Yacht Scheme Conditions

A number of criteria need to be met for the Cyprus Yacht Scheme to be applicable. These criteria include:

1. The lease agreement must be between a Cyprus company, registered for VAT in Cyprus, and a physical or legal entity which can be resident anywhere in the world.
2. The yacht must sail to Cyprus within one month of the start of the leasing agreement.
3. An initial payment must be paid by the lessee to the lessor amounting to at least 40% of the value of the yacht.
4. Prior approval to the Yacht Scheme must be received from the VAT Commissioner.

Additional Information

If you require additional information regarding the Cyprus Yacht Scheme please contact Robert Homem: advice.cyprus@dixcart.com. Alternatively please speak to your usual Dixcart contact.