

A white sailboat is shown from a low angle on the left side of the frame, sailing on a deep blue sea. The sky is a warm, golden-orange color, suggesting a sunset or sunrise. The boat's mast and rigging are visible, and the water shows some whitecaps. The overall mood is serene and luxurious.

CYPRUS YACHT LEASING SCHEME

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On the 13th March of 2012, the Cyprus VAT Authorities published guidelines introducing the most tax-efficient VAT Yacht Leasing Scheme in the European Union. Previously, the leasing of a Cyprus registered yacht was subject to the Cyprus standard VAT rate and it could be reduced only if the detailed logs regarding the whereabouts of the vessel proved the time it spent outside of the EU territorial waters.

In order to avoid this detailed record-keeping, Cyprus has introduced a scheme, under which the applicable VAT rate is determined according to the type and the length of the yacht. It is assumed that the time it spends outside of the EU territorial waters increases proportionally to its size. Thereby, the applicable VAT rate can allow savings of up to 80 % in the VAT payable and can be reduced to as low as 3.8 % of the initial cost of the yacht, less than the 5,4% applicable in Malta under their respective Yacht Leasing Scheme.

The effective VAT rate is calculated according to the following tables:

Motor boats
Sailing Boats



Length	Over 24 meters	14.01 - 24 meters	10.01 - 20 meters	Up to 8 meters
Percentage of usage within the EU	20%	30%	50%	60%
Effective VAT Rate	3.80%	5.70%	9.50%	11.40%

For yachts licensed for use only within Cyprus waters, the effective VAT rate shall remain 19%.

Provisions & Conditions

The scheme can be applied, provided that all of the following conditions are met:

The lessor: A Cyprus Company.

The lessee: A physical or a legal person. No nationality or residence restrictions.

- ⚓ An initial lease fee of at least 40% of the value of the yacht is payable to the lessor.
- ⚓ Lease payments are payable on a monthly basis, along with the applicable VAT rates.
- ⚓ The duration of the lease cannot be less than 3 months and cannot exceed 48 months.
- ⚓ The lessor's expected profit on the lease agreement should not be less than 8% of the initial value of the yacht.
- ⚓ The total of the lease payments, taken into consideration for calculating the total VAT liability, should include 50% of the profit i.e. 4% of the initial value of the yacht.
- ⚓ At the end of the lease period, if the lessee opts to purchase the yacht, the final payment should not be less than 4% of the initial value of the yacht. Such final payment is subject to VAT at the standard rate of 19%.

- ⚓ The lessor should obtain in advance a written approval from the Cyprus VAT authority that the company is entitled to participate in the scheme. The application must be submitted with the lease agreement and the relevant documents related to the value of the yacht.
- ⚓ The yacht should sail in Cyprus within one month of the date of the lease agreement. An extension of the aforementioned period must be agreed in advance with the Cyprus VAT Commissioner. The delay cannot exceed the lease period.
- ⚓ If the lessee opts to purchase the yacht, then at the end of the lease period, the VAT Department will issue a VAT paid certificate.

CORPORATE TAX:

The profits made by the lessor on the lease agreements are subject to the Corporate Tax Rate of 12.5%.

Cyprus Yacht Leasing Scheme

AGP Law Firm can provide you with the following services:

- ⚓ Registration of the Cyprus Company ("the lessor").
- ⚓ Registration of the Cyprus Company with the VAT authorities.
- ⚓ Drafting and Review of the agreement for the yacht lease.
- ⚓ Submission of the lease agreement and the relevant documentation to the VAT Department.
- ⚓ Issuance of the Certificate by the VAT Department confirming the applicable VAT rate and stating the total VAT liability.



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