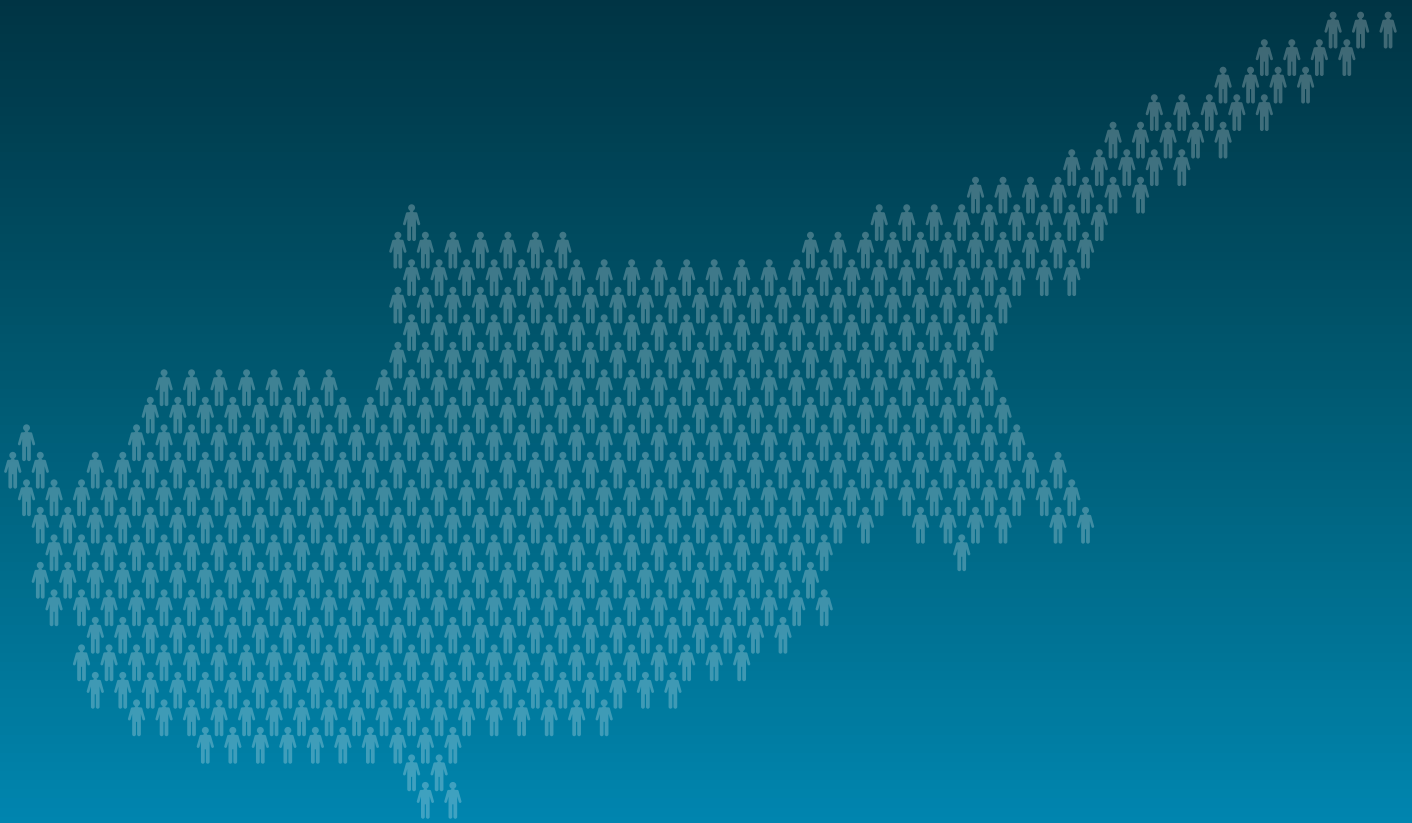


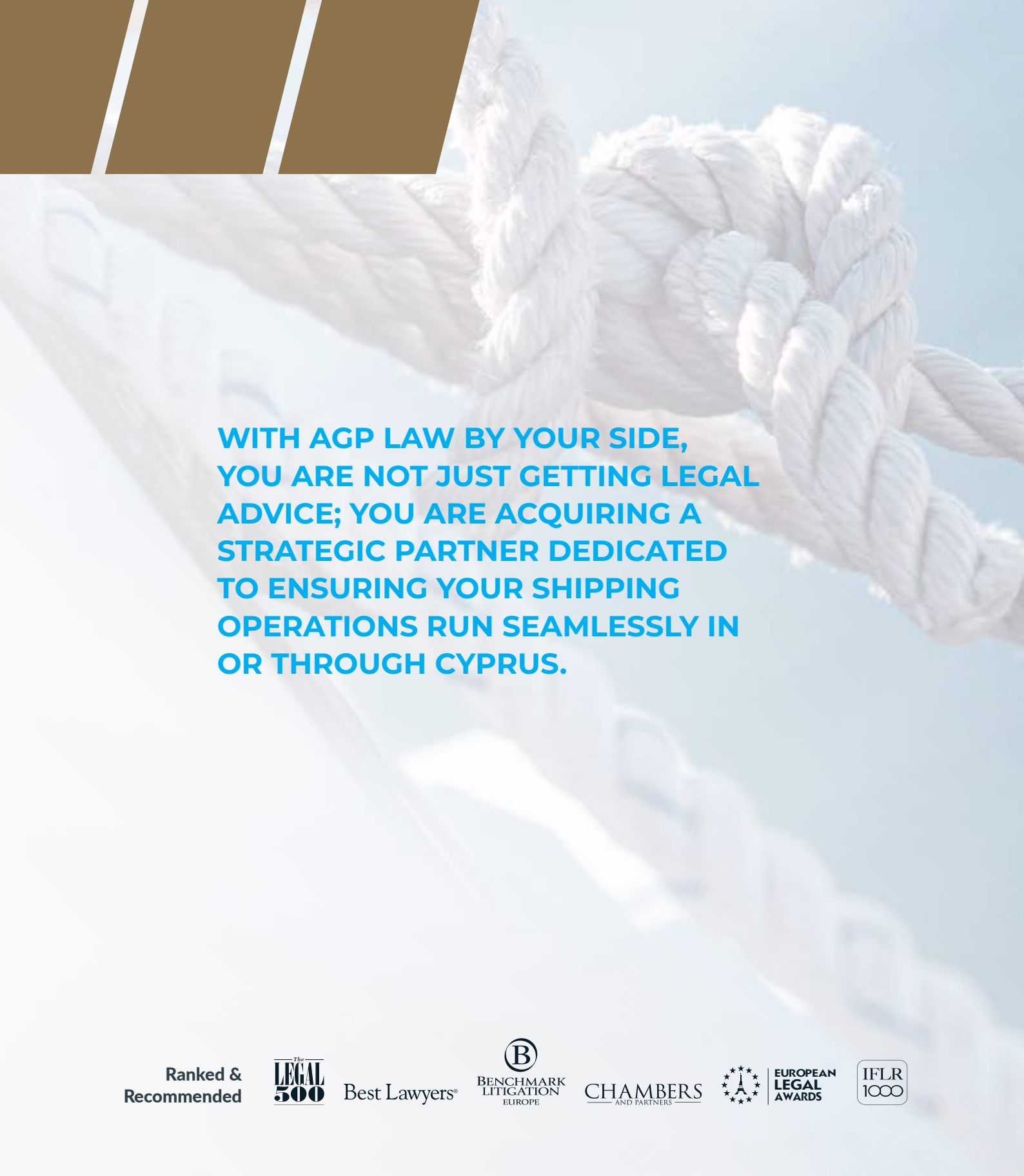
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CYPRUS FLAG

A **PASSPORT** TO **MARITIME PROSPERITY**

Over the past few decades, Cyprus' shipping sector has evolved into one of the most successful industries of the island, steadily rendering Cyprus into a major international maritime centre, comprising both ship-owning and ship-management companies. The maritime industry represents one of the cornerstones of the Cypriot economy, both in terms of financial strength and overall significance.

With a maritime history and expertise in trading and sailing dating back thousands of years, a beneficial geographic location at the crossroads of three continents combined with its constant strive for development and growth, Cyprus has achieved to become an international and modern maritime centre and an optimal business base for many entrepreneurs.

Cyprus became an independent, sovereign state in 1960 and in 1963 "The Merchant Shipping (Registration of Ships, Sales, and Mortgages) Laws of 1963 was enacted. At first, the fleet of ships under the Cyprus flag was quite small, but throughout the years, the international maritime community recognised and made use of the benefits of the said legislation. Moreover, the double tax avoidance agreements along with the numerous international conventions to which Cyprus is a signatory, in conjunction with the tax benefits applicable to locals and foreigners, generated the expansion of its fleet.

Cyprus now has the 11th largest fleet globally and the 3rd largest fleet in Europe, while at the same time is the largest third – party ship management centre in Europe and among the top 5 in the world.

With a sovereign flag of excellent quality and a stable fiscal environment, Cyprus has throughout the years managed to attract many shipping companies, businesses with shipping related services and entrepreneurs and to become a fully-fledged international shipping centre.

Furthermore, following the adoption of the new performance lists for Flag States and Recognized Organizations - which was approved during the 56th meeting of the Paris MoU Committee - the Cyprus Registry of ships emerged as one of the top ten performers after accomplishing a remarkable rise from the 13th place in 2022 to the 8th place in the Paris MoU Whitelist (a list indicating quality flags with a consistently low detention record). Undoubtedly, Cyprus' higher ranking in the Paris MoU list reflects not only the ongoing dedication to the improvement of the inspection and control procedures, but also the prioritization of ship safety and quality.





SHIPPING DEPUTY MINISTRY

The Shipping Deputy Ministry (“SDM”) was established on the 1st of March 2018, replacing the Department of Merchant Shipping. The SDM, which is based in Limassol city, is an autonomous Deputy Ministry, exclusively dedicated to the shipping industry, a fact that underscores the industry’s importance to the island’s economy and growth.

The SDM is responsible for the development of maritime activities, with offices in Piraeus, London, Rotterdam, Hamburg, Brussels, and New York, providing services to Cyprus ships, shipowners, seafarers, ship managers and operators. Since its inception, the SDM has made remarkable contributions to elevating Cyprus as a prominent maritime centre, achieving substantial advancements in the process.

The SDM primarily oversees, safeguards and promotes the country’s maritime industry. Its mission is to ensure the preservation and further advancement of Cyprus’ shipping sector as a safe, socially accountable, and sustainable industry, aimed at boosting the national economy and fostering the growth of new employment opportunities, specialization and expertise within the field.

Its functions include, inter alia, the development and implementation of a comprehensive national shipping strategy focusing to the expansion of the Cyprus Register of Ships. Moreover, the SDM is responsible for the supervision and regulation of the shipping sector but also for the promotion of maritime training, education, and maritime careers.

Moreover, the simplification and modernization of Cyprus’ shipping services and procedures - aiming to attract new shipping investments and enhance competitiveness - are among the top priorities of the SDM.




REGISTRATION OF SHIPS

According to Cyprus Advocate Laws, only lawyers registered as practicing advocates in Cyprus are entitled to handle any registry transactions, acting on behalf of the owner. Consequently, the registration of a ship under the Cyprus flag can only be carried out by a locally registered advocate.

Furthermore, applications for the registration of ships and for all related transactions in the Register of Cyprus Ships or in the Special Book of Parallel Registration, must be submitted to the Registrar of Cyprus Ships. Thus, the registration of ships and all related transactions are concluded by the Registrar, located at the Head Office of the SDM in Limassol. However, upon relevant instructions issued by the Registrar, there are certain transactions, such as the provisional registration of ships, which may be effected abroad by a Consular Officer of the Republic of Cyprus, located at any of the Diplomatic or Consular Missions of the Republic of Cyprus. The permanent and bareboat charter registrations are excluded from the transactions which may be effected abroad.

Besides ship registration, there are several other registry transactions that need to be recorded in the Registry of Cyprus ships; the main ones being:

- the transfer and transmission of ownership;
 - registration of mortgage;
 - deletion of a ship;
 - change of its name;
 - alteration of tonnage or other particulars.
- 

TYPES OF SHIP REGISTRATION

According to the *Merchant Shipping* (Registration of Ships, Sales, and Mortgages) *Laws of 1963*, as amended, there are three types of ship registration in Cyprus, which will apply, provided that all the required (by law) conditions are met:

- a. provisional;
- b. permanent;
- c. bareboat charter registration (parallel - in and parallel - out).



A ship may be provisionally registered under the Cyprus flag for a period of six months, given that it was not previously registered at the Registry of Cyprus. In practice, many shipowners, proceed with this option. The Provisional Certificate of Cyprus Registry is valid for a period of six months from the date of issue. This type of registration may be extended for three months, given that specific conditions are satisfied. At the time of the provisional registration, the ship must be at a port or anchorage for inspection and certification purposes on behalf of Cyprus, whereas at the time of its permanent registration this is not necessary. The permanent registration of a provisionally registered ship must take place before the ship's Provisional Certificate expires.

In the event of parallel-in registration, the bareboat charterer of the foreign ship may be a natural person or a legal entity who satisfies the qualification requirements

applicable to the ownership of a Cyprus ship. The legislation of the State of registry of the foreign ship must permit its bareboat charter registration which is usually for two years but it can be renewed.

Likewise, in the event of parallel-out registration, a natural person or a legal entity who qualifies to register the bareboat charter in another State - according to the legislation of that State - can be a bareboat charterer of a Cyprus ship, given that the said State allows for this action. The parallel-out registration period can last up to three years, but it can be renewed.

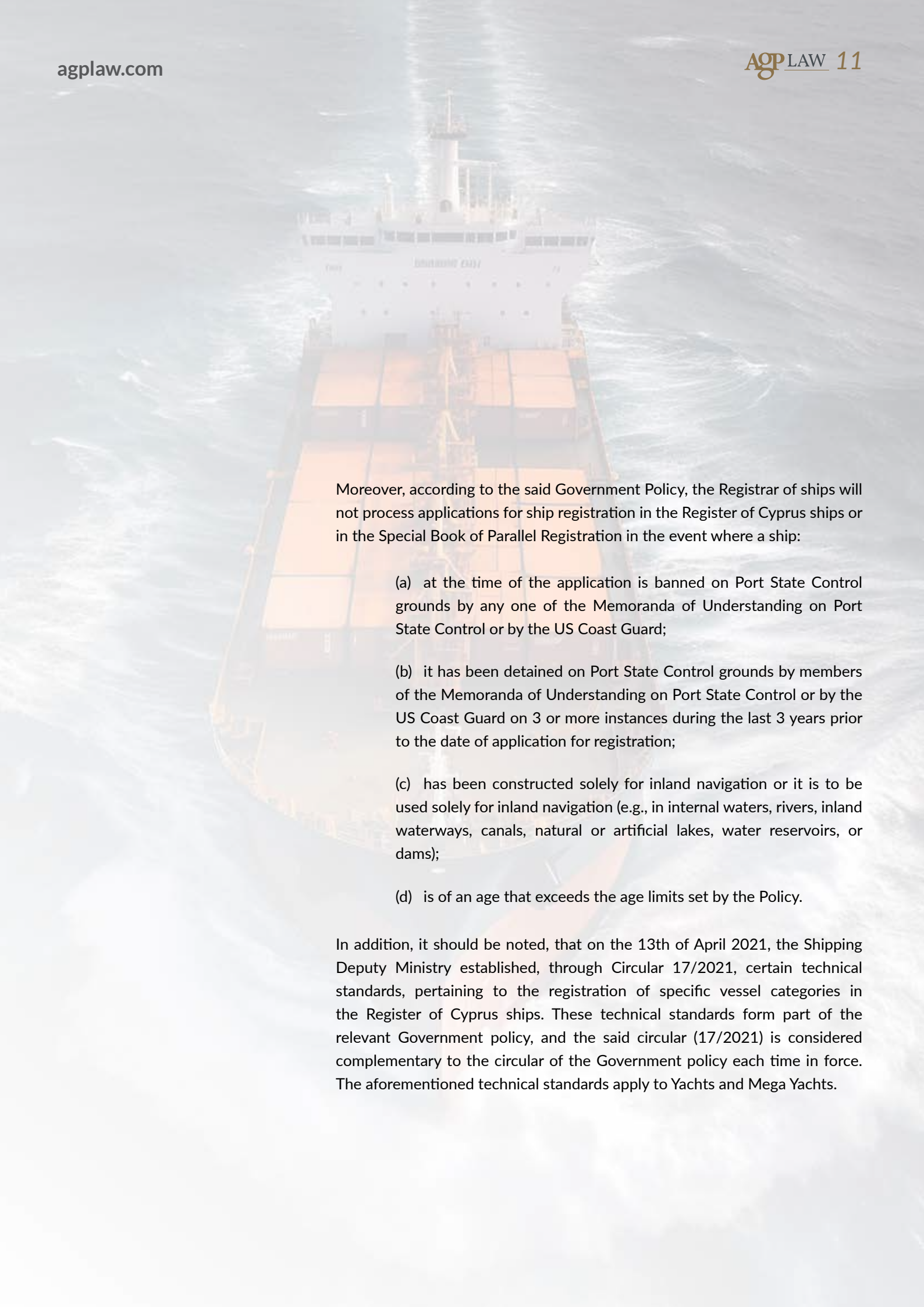
In both cases of parallel registration, the ship remains registered in parallel at the Registry of its State of origin, which remains in operation solely in terms of the ship's ownership and encumbrance status. The deletion of the ship from the Registry of its State is not required.

In conclusion, any ship used in navigation and not propelled by oars is eligible for registration under one of the above described types of registration, if it also meets the ownership requirements but also the rest of the conditions set by the relevant laws and the Government policy respectively, such as the age and type related requirements.



GOVERNMENT POLICY ON THE **REGISTRATION** OF **SHIPS**

Additional conditions and requirements for the registration of ships are included in the Government Policy on the registration of ships under Cyprus flag, determined by the Shipping Deputy Ministry. These additional conditions and requirements, which include the age and type-related prerequisites, shall be read in conjunction with the relevant legislation, which governs the ship registration procedure.



Moreover, according to the said Government Policy, the Registrar of ships will not process applications for ship registration in the Register of Cyprus ships or in the Special Book of Parallel Registration in the event where a ship:

- (a) at the time of the application is banned on Port State Control grounds by any one of the Memoranda of Understanding on Port State Control or by the US Coast Guard;
- (b) it has been detained on Port State Control grounds by members of the Memoranda of Understanding on Port State Control or by the US Coast Guard on 3 or more instances during the last 3 years prior to the date of application for registration;
- (c) has been constructed solely for inland navigation or it is to be used solely for inland navigation (e.g., in internal waters, rivers, inland waterways, canals, natural or artificial lakes, water reservoirs, or dams);
- (d) is of an age that exceeds the age limits set by the Policy.

In addition, it should be noted, that on the 13th of April 2021, the Shipping Deputy Ministry established, through Circular 17/2021, certain technical standards, pertaining to the registration of specific vessel categories in the Register of Cyprus ships. These technical standards form part of the relevant Government policy, and the said circular (17/2021) is considered complementary to the circular of the Government policy each time in force. The aforementioned technical standards apply to Yachts and Mega Yachts.



OWNERSHIP REQUIREMENTS

A ship can be registered under the Cyprus flag if the following prerequisites are met:

- a. More than half of the shares (50%) of the ship must be owned by Cypriots or citizens of other EU Member States, who in the instance of not being permanent residents of the Republic, will have to appoint an authorized representative in the Republic of Cyprus, or;
- b. The total of the shares (100%) of the ship must be owned by one or more corporations, which have been established and operate:
 - i. in accordance with the Laws of the Republic and have their registered office in the Republic of Cyprus, or;
 - ii. in accordance with the laws of any other EU or EEA Member State and have their registered office, central administration, or their main place of business within the EEA;
 - iii. outside the Republic of Cyprus or the EU or the EEA but are controlled by Cypriot citizens or citizens of a Member State.

In the case of ii. and iii. above, the corporations are obliged to either appoint an authorized representative in the Republic of Cyprus or to fully entrust the management of the ship to a Cypriot or a Community ship management company which has its business base in Cyprus.



REGISTRATION OF SHIP MORTGAGES

One of the most frequently used tools in securing a loan or other financial benefits within the shipping industry is the mortgage on a ship.

The Merchant Shipping (Registration of Ships, Sales, and Mortgages) Laws of 1963, as amended, is the governing legal framework for ship mortgages in Cyprus.

According to the relevant legislation any registered (provisionally, permanently or parallel-out) ship in the Registry of Cyprus, may be the subject of security for a loan or for any other financial benefit/consideration. The registration of mortgage on ships which are registered parallel-in, is not permitted.

The mortgage instrument must be in writing, and it must be submitted to the Registrar along with the collateral deed of covenants, which shall include all the contractual terms between the mortgagee and the owner.

Upon registration, the date, time, and all details pertaining to the mortgage will be submitted as well, and the mortgage will acquire priority regarding all subsequent mortgage registrations.

If a Cypriot company owns the ship for which a mortgage has been created, it is mandatory to register the mortgage with the Registrar of Companies as well, within a maximum period of 42 days from its creation. This ensures the protection of the mortgagees' security in the event of the ship-owning company's liquidation.

Under the relevant applicable laws in Cyprus, there is full protection for financiers and mortgagees. In the event of default, the mortgagee has the right to arrest the vessel and seek a court order to sell it for debt recovery. This practice offers reassurance to the mortgagee and contributes to Cyprus being an appealing choice for ship financing operations.

Lastly, it is worth noting that under the Stamp Duty Act (19/1963), the mortgage documents are exempted from the stamp duty obligation, a factor which adds up to all the existing benefits of registering a ship under Cyprus flag.



MAIN ADVANTAGES THAT CYPRUS OFFERS AS A MARITIME CENTRE

Cyprus is a leading maritime hub offering numerous advantages and economic benefits for the ships under its flag but also generally as a business base for shipping companies and activities. Here is an indicative list of the most important ones which place Cyprus in a highly competitive position:

- A democratic, EU Member State;
- EU approved “Open Registry”;
- EU approved and favorable Tonnage tax system, based on a ship’s net tonnage, prolonged until December 2029;
- Member of the IMO Council since 1987;
- Cyprus has become a fully-fledged shipping center, renowned for its high-quality services;
- Business friendly common law jurisdiction;
- National legislation in accordance with the Acquis Communautaire;
- It has one of the most strategic geographic locations worldwide with easy access to markets;
- Low registration and operating costs, and competitive fees and dues rendering Cyprus very attractive;
- Low corporate tax rate of 12,5%;
- No stamp duty on ship mortgage deeds or other security documents;
- There is full protection for financiers and mortgagees;
- No registration and mortgage fees for Ocean-Going ships nor for the issuance of their initial certificates;




- Double tax avoidance treaties are in place with more than 65 countries;
- Cyprus is a signatory to all international maritime conventions;
- More than 25 bilateral agreements on Merchant Shipping;
- Cyprus has a strong presence in international organisations related to the shipping industry, such as the IMO and the ILO;
- Classification of the Cyprus Flag in the “White List” of Paris and Tokyo’s MoUs regarding safety standards and also exclusion from the “List of Targeted Flag States” of the US Coast Guard;
- No nationality restrictions for crew and seafarers;
- Efficient, high quality and simplified services by the Shipping Deputy Ministry located in Limassol and supplemented by maritime offices in Piraeus, London, Rotterdam, Hamburg, Brussels, and New York;
- Provision of online ship registration services;
- E-verification of Cyprus Registry Certificates;
- Electronic Tonnage Tax System (eTTS);
- eSAS – Web services for the registration of seafarers and the recognition of certificates of competency;
- “Seafarers Career Information System” (SCIS) – A seafarer employment focused database designed to simplify and facilitate the employment of seafarers.



CYPRUS **TONNAGE TAX SYSTEM -** **EU APPROVED TAX SYSTEM**

Cyprus' prominent position in the shipping sector was further reinforced by the introduction and implementation of the Tonnage Tax System (TTS), which was initially approved by the European Commission in 2010 as compatible with the Guidelines on State Aid to Maritime Transport. The Scheme was subsequently extended until 31 December 2029.



The TTS covers the three basic shipping activities, namely:

- (i.) ship owing;
- (ii.) ship management;
- (iii.) chartering.

This innovative legislation, among other things, offered stability and certainty in the yearly expenditures for the beneficiaries, but also provided them with the ability to tailor their business planning accordingly. Unlike standard corporate tax, the tonnage tax is simply a fixed percentage based on a ship's total net carrying capacity, instead on the actual profits.

Owners of Cyprus ships, owners of foreign ships, ship managers and charterers can be the beneficiaries of this fiscal legislation, which has been in effect since 2010 and governed by the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010 and 2020 (Law 44(I)/2010 as amended by Law 39(I)/2020).

Any owner, charterer, or ship manager who owns, charters, or manages a qualifying ship engaged in a qualifying shipping activity may be a beneficiary and falls under the scope of the Tonnage Tax System.

Qualifying owners of Cyprus ships fall automatically within the scope of the TTS, so there is no need to exercise the option to be taxed under the TTS, whereas owners of foreign flag ships, ship managers and charterers, may opt to be taxed under the TTS, if they meet certain criteria.

The number of companies that enrolled in the Tonnage Tax System has tripled during the period between 2012-2021. In 2012 there were 97 companies under TTS while in 2021 this number increased to 275.

Moreover, as from 2021, the tonnage tax may be further reduced by up to 30% for each vessel that effectively reduces its emissions. This incentive is provided to support ship owners in making sustainable shipping choices while at the same time benefiting from this financially. This reduction of tonnage tax is applicable to owners of Cyprus and Community ships.

Furthermore, reduced tonnage tax by 75% is granted for owners and charterers of Cyprus and Community ships in the event of laid-up and inoperative ships, given that they meet certain conditions.

Overall, the Tonnage Tax System of Cyprus offers a simplified and tax-efficient framework, ensuring that the ship operations remain cost effective while maintaining their international competitiveness.

INCOME TAX EXEMPTIONS FOR TTS BENEFICIARIES

Regardless of the provisions of the Income Tax Laws or any other applicable laws in the Republic of Cyprus, there shall be no taxation imposed or enforced in the following instances:

- No tax on income derived from the operation of qualifying ship(s) engaged in qualifying activity;
- No tax on the income or profit made from the sale of a qualifying ship;
- No tax on dividends paid to shareholders out of profits made from the operation or from the sale of qualifying ship(s);
- No tax on income derived from the management of a qualifying ship;
- No tax on dividends paid to shareholders out of profits made from the management of a qualifying ship;
- No tax on bank interest earned on working capital of a qualifying ship;
- No tax on the wages or other benefits of eligible seafarers on board a qualifying EU ship.



THE SHIPPING LIMITED LIABILITY COMPANY LAW OF 2022 - “ONE STOP SHOP”

On October 6th, 2022, Cyprus' House of Representatives approved the “Shipping Limited Liability Company (SLLC) Law of 2022, the basic aim of which is to create a one-stop-shop framework for ship owning corporations and their shareholders, inside the Shipping Deputy Ministry, which now becomes the competent authority for the registration of this new type of companies.

While the new legislation's framework is generally affected and inspired by the Cyprus Companies Law (Cap.113), there are, at the same time, provisions aiming to simplify and streamline various procedures.

Under this law, the SDM will handle all issues relating to the SLLC's, which up until now were under the control of the Companies Registrar.

The new legislation includes stipulations for the continuation of the operations of the existing shipping companies - registered under the Companies Law (Cap.113) - as SLLC's and pursuant to the SLLC Law.

One of the main differences, compared to companies registered under the Companies Law, is the prerequisite of having a lawyer as the secretary of the SLLC.

In general, the SLLC Law incorporates small, yet quite meaningful distinctions specifically designed for the functioning of the new SLLC's.





GENERAL OVERVIEW

In conclusion, Cyprus stands as an ideal haven for shipowners seeking to register their vessels under its flag, as well as for any companies engaged in shipping or shipping related services and operations. With its strategic location, efficient registration procedures, favorable taxation policies, modern maritime infrastructure and strong commitment to safety and environmental standards, Cyprus offers an ideal environment for the growth and prosperity of shipping enterprises.

By choosing Cyprus, shipowners can not only benefit from a reputable and reliable registry and a range of competitive advantages; it also allows them to contribute to the island's rich maritime legacy.

As the maritime world continues to evolve, Cyprus consistently adapts to the new developments and challenges whereas remains steadfast in its dedication to providing a secure and supportive platform for shipping businesses to navigate the seas with confidence and success.



OUR SERVICES

AGP Law can offer a range of legal services to shipping companies and ship management companies, including:

- 1. Formation and Registration of Shipping Companies:** We can assist with the formation and registration of shipping companies in Cyprus, including advising on the legal and regulatory requirements and preparing all necessary documentation;
- 2. Ship Registration:** We can assist with the registration of ships under the Cyprus flag, including advising on the eligibility criteria, preparing the necessary documentation, and liaising with the relevant authorities;
- 3. Ship Finance and Mortgage:** We can advise on ship finance and mortgage transactions, including the drafting and negotiating of ship mortgage agreements, providing legal opinions on the validity and enforceability of mortgage agreements, and registering mortgages with the relevant authorities;
- 4. Commercial Agreements:** We can draft, review and negotiate various types of commercial agreements for shipping companies, including charterparties, sale and purchase agreements, and shipbuilding contracts;
- 5. Dispute Resolution:** We can provide legal advice and representation in shipping disputes, including negotiating settlements, representing clients in mediation or arbitration, and representing clients in court proceedings;
- 6. Compliance and Regulatory Matters:** We can advise on compliance and regulatory matters affecting the shipping industry, including environmental regulations, sanctions and export controls.



**AGP LAW CAN BE MORE THAN
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STRATEGIC PARTNER IN SHIPPING
SUPPORT IN CYPRUS. FROM
REGULATORY COMPLIANCE TO
DISPUTE RESOLUTION, OUR TEAM
IS POISED TO GUIDE BUSINESSES
THROUGH EVERY LEGAL NUANCE,
ENSURING SUCCESS ON ALL
FRONTS.**



Please feel free to reach out to us to discuss how our Shipping and Maritime team can assist you. We are ready to listen, strategize, and provide the highest level of legal representation and advisory services to support your business objectives.



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