

Cyprus

Cyprus is the third largest island in the Mediterranean Sea with an area of 9251 sq. km. It is located about 200 km northwest of Israel, 380 km north of Egypt, and 800 km east of the Greek mainland. The latitude of Cyprus is 34° ,33' to 35° ,34' North and its longitude is 32° ,16' to 34° , 37' East.

With its sunny climate, beautiful beaches and rich history Cyprus is a prime holiday destination and has extensive tourist facilities to accommodate every taste and budget. Virtually all major European airlines and Cyprus Airways have daily flights to Larnaca or Paphos (the two Cypriot airports). Visitors can also easily reach Cyprus by boat from Greece, Egypt, Israel and other neighbouring countries.

The island has proved to be an ideal centre for the establishment of legal entities by foreign ship-owners and other professionals for the conduct of maritime activities and for the rendering of shipping services worldwide. In 1982 Cyprus ranked thirty-second on the list of leading maritime nations. It now ranks fourth with around 2.650 ships totalling over 5 million gross tonnage. The island's maritime policy aims to develop an integrated shipping infrastructure through the granting of appropriate incentives.

Incentives

- No income tax on the profits derived by a Cyprus Ship-owning company nor any tax on any dividend of any Cyprus ship-owning company;
- No estate duty on the inheritance of shares;
- No capital gains tax on the sale or transfer of a ship or the transfer of the shares of the ship-owning company;
- No tax on the salaries of crew members;
- Recognition of the Competence Certificate issued by Cyprus;
- Cyprus ships can call at any port in the world, and in most, enjoy favoured national treatment;
- Possibility of provisional registration taking place abroad;
- A quick and easy way of obtaining certificates for the ship;
- Low tonnage tax and other duties paid for registration fees, annual tonnage tax, mortgages etc;
- No stamp duty on ship mortgage deeds;
- Full protection and recognition of mortgages registered on a Cyprus ship;
- If the management and control of the ship-owning company or the ship managing company is in Cyprus then no tax is paid.

Eligibility for Registration

A vessel may be registered in Cyprus if more than one half of the shares of the ship are owned by:

- a Cypriot, or
- a corporation established and operating under and in accordance with the laws of the Republic of Cyprus and having its registered office in the Republic, or
- a corporation incorporated outside the Republic in which the controlling interest is vested in Cypriots (physical persons), if specially authorized by a decision of the Council of Ministers of the Republic.

In view of the above requirements, all non-Cypriot owners who wish to register their ships under the Cyprus flag must incorporate a company in Cyprus, which will either acquire the ship in its name, or bareboat charter the ship.

As of 1 January 2000, vessels of any size and type having an age not exceeding 15 years, except fishing vessels, may be registered in the Cyprus Register of Ships as long as they comply with the provisions contained in the merchant shipping legislation and the circulars of the Department of Merchant Shipping.

Vessels over 15 years of age, including fishing vessels, may be registered in the Cyprus Register of Ships under additional conditions, which must be fulfilled concurrently with the submission of the application for registration and must be complied with at all times while the vessel remains registered, irrespective of any subsequent transfer of ownership.

The owner/bareboat charterer of a vessel registered under the Cyprus flag automatically undertakes that, whenever the Department of Merchant Shipping deems necessary, to have the vessel inspected by its own surveyors as a result of identified deficiencies or an alleged serious violation of international conventions. The owner/bareboat charterer is required to submit the vessel for inspection, at his expense, in order for the Department to determine whether the vessel meets the applicable statutory requirements.

The age of a vessel is calculated by deducting the year when its keel was laid from the year when the application for registration of the vessel was filed with the Registrar of Cyprus Ships. The year of conversion or modification or major reconstruction and the year of completion or delivery of a vessel, are considered irrelevant and will be ignored.

Cargo Vessels with Gross Tonnage of 1000 and over, Ocean Going Tug Boats with Gross Tonnage of over 500 and Mobile Offshore Drilling Units

Over 15 years but not exceeding 17 years of age

A vessel in this category may be registered provided it passes a special inspection.

Over 17 years but not exceeding 20 years of age

A vessel in this category may be registered provided:

- it passes a special inspection, and
- it is operated by a ship-management company certificated for compliance with the ISM Code.

Over 20 years but not exceeding 23 years of age

A vessel in this category may be registered provided:

- it passes a special inspection and is subject to subsequent annual special inspections
- it is operated by a Cyprus ship-management company, which must be certificated for compliance with the ISM Code.

Cargo Vessels with a Gross Tonnage of less than 1000

Only cargo vessels not exceeding 20 years of age may be registered. However, they are subject to a special inspection if they are subsequently detained on account of deficiencies or violations of international conventions by flag or port state control authorities.

Passenger Vessels

Over 15 years but not exceeding 25 years of age

A vessel in this category may be registered provided it passes a special inspection and is subject to subsequent annual special inspections.

Over 25 years of age

A vessel in this category may be registered provided:

- it passes a special inspection and is subject to subsequent annual special inspections
- it is operated by a Cyprus ship-management company, which must be certificated for compliance with the ISM Code.

In both cases, whenever the vessel is engaged in regular service which includes at least two calls per month to a Cypriot port, at least 25 percent of its crew should be Cypriot, unless a confirmation is given by the Limassol District Labour Office that no Cypriot seamen are available, and at least 1 Cypriot student or graduate of a Marine Officer's School, if available, is engaged for sea training for a period of up to 6 months.

Fishing Vessels, Fish Factory Vessels

There are detailed requirements for the registration of fishing and fish factory vessels of any age covering ownership, safety, fishing activities and hygiene.

Auxiliary Vessels and Pleasure Craft

Vessels up to 25 years of age may be registered without any additional conditions. Vessels over 25 years of age may be registered provided they belong beneficially to residents of Cyprus and their management and operations are controlled from Cyprus.

Ownership

Applications for registration must be accompanied by all relevant documentary evidence attesting compliance with the various conditions which need to be fulfilled at the time of the provisional registration (or the directly permanent registration, as the case may be.)

Residents of Cyprus, for the purposes of this policy, include:

- Cypriot citizens and
- Persons who have had their ordinary residence in Cyprus for the last 12 months, have been issued with a work permit and are liable to Cyprus tax on income.

Provisional Registration

In order to enable the Registrar of Cyprus Ships to initiate the procedure for the provisional registration of a ship, the following information is required:

- Name of the vessel and her flag at the time of the application;
- Name of the Cyprus corporation applying for the registration of the vessel;
- Name of the vessel under which she will be registered;
- Particulars of the vessel (type, year of built, gross and net tonnage);
- Name of the classification society with which the ship is entered. If the owners of the vessel contemplate a change of the classification society on acquiring the vessel this should also be stated;
- Intended trading area of the vessel;
- Place where the vessel will be at the time of her provisional registration, if known. This must be communicated to the Registrar of Cyprus Ships prior to the provisional registration;
- Name of the consular officer where the owners wish to effect the provisional registration of the vessel;
- Name and address of the shareholders and directors of the Cypriot company in whose ownership the vessel will be registered.

Provided that the appropriate fees have been paid and all the necessary documentation has been deposited either with the Registrar of Cyprus Ships or with any diplomatic mission or honorary consular officer of the Republic, the consular officer who has been instructed to carry out the ship's provisional registration will proceed to:

- Issue a provisional certificate of the Cyprus Registry (form MS.5), which is valid for 6 months from the date of issue;
- Issue a provisional radio licence;
- Advise the vessel's classification society that it may proceed with the survey and certification of the vessel on behalf of the Cypriot government.

The ship-owner must ensure that the ship does not leave the port where she is lying unless and until she has been duly surveyed and certificated by her classification society on behalf of the Cypriot government.

A 3 month extension of the ship's provisional registration may be obtained, provided the provisional certificate of Cyprus Registry has not expired and the appropriate extension fees have been paid.

Permanent Registration

The permanent registration of a provisionally registered vessel must be effected within 9 months (if the 3 month extension has been obtained) from the date on which she was provisionally registered.

Application and Documentation

The following documents must be submitted:

- Application for permanent registration made by the local lawyer acting on behalf of the ship-owning company to the Minister of Communications and Works through the Registrar of

Cyprus Ships, requesting the permanent registration of the vessel in the Register of Cyprus Ships;

- Certificate of deletion of the vessel from the previous register or certificate of cancellation of registry or closed transcript of registry, if this was not filed at the time of provisional registration;
- Copy of the agreement signed with the vessel's radio traffic accounting authority;
- Copies of the ship's statutory certificates, i.e.

- *Cargo ship safety construction*
- *Cargo ship safety equipment*
- *Cargo ship safety radio*
- *International load lines certificate (1966)*
- *International oil pollution prevention*
- *International noxious substances pollution prevention*
- *Passenger ship safety*
- *Certificate of fitness*

as these apply to the ship's size and type;

- Certificate of survey (form MS.1 or MS.1A);
- Cyprus tonnage certificate (form MS.12, or MS12A or MS.12B);
- International tonnage certificate (1969) (form MS.12C);
- Duly verified ship's carving and marking note (form MS.32).

If the vessel exceeds 15 years of age the applicable requirements or conditions under which her registration has been approved should be complied with.

Parallel-in Registration

This form of registration offers the possibility to a foreign flag vessel on bareboat charter to a Cyprus shipping company to be registered in 'parallel' under the Cyprus flag for a period, usually 2 years, which is renewable. Approval has to be obtained from the Minister of Communications and Works.

Under this type of registration, the deletion of the registration in the foreign register is not required, but the foreign nationality is suspended and the registry is operative only with respect to the ownership and encumbrances status of the ship.

The law of the country of the foreign registry must allow the parallel registration of the ships registered in its register.

Government policy on the age limit of vessels which may be registered in the Register of Cyprus Ships is applicable to the parallel-in registration of vessels.

The application for the parallel-in registration of a vessel is effected by the bareboat charterer who must be a person (legal or physical) qualified to own a Cypriot ship under the Cypriot merchant shipping legislation. The following documents must be submitted to the Registrar of Cyprus Ships for this purpose:

- Memorandum and articles of association of the Cyprus company (bareboat charterer);
- Certificates of incorporation of the Cyprus company, and of its directors and shareholders;
- Copy of the resolution of directors of the Cyprus company resolving to bareboat charter the vessel and register her parallel-in in the Register of Cyprus Ships;
- Power of attorney under the common seal of the Cyprus company, if there is a need to authorise a third person to attend matters in relation to the parallel registration;
- Memorandum of appointment of ship's husband;
- Certificate of measurement of the vessel;
- Certified copy of the bareboat charter party;
- Certified written consent of the owner for the parallel-in registration;
- Certified written consent of the mortgagees, if any;
- Written consent of the foreign register with an official translation;
- Certificate of encumbrances from the foreign register;
- Crew list;
- Application for licence to install and work a wireless telegraphy and/or telephony station on board ship under the Cyprus flag (form MS.34).

The following information must also reach the Registrar of Cyprus Ships:

- Confirmation of class from the head office of a recognised classification society;
- Confirmation from a recognised radio traffic accounting authority that they will settle the ship's radio-maritime accounts;
- Confirmation from the master or from a recognised classification society as to the marking of the vessel.

For the parallel-in registration, a new measurement of the tonnage of the vessel is not required. The certificate of survey and the tonnage certificate are issued on the basis of the corresponding documents of the foreign registry. Ships registered parallel-in may keep the name of the foreign registry, but this name must not be the same as the name of a ship registered in the Register of Cyprus Ships. Ships registered parallel-in may change their name under the same conditions as those applicable to Cypriot ships registered provisionally or permanently. In such cases, the application must be made by the bareboat charterer with the written consent of the ship-owner and of the mortgagees. The change of name must be notified to the foreign registry.

The termination of the status of a vessel registered parallel-in is effected in the following cases:

- Where the foreign registry revokes its consent for the parallel-in registration in the Cyprus Register of Ships;
- In case of termination of the bareboat charter;
- Upon the lapse of the period of time for which the Minister of Communications and Works has approved the parallel-in registration of the vessel;
- If there exists any reason for deletion which, under the Cypriot merchant shipping legislation, applies in cases of ships provisionally or permanently registered in the Cyprus Register of Ships. Upon such a termination the vessel is deleted from the Special Book of Parallel Registration of the Cyprus Register.

Parallel-out Registration

Under the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws, 1963-1996, Cypriot ships may be bareboat chartered to a foreign person or company and registered 'parallel' in a foreign register for the duration of the charter party. This so called 'Parallel-out' registration allows the financing of a ship and her mortgaging under the Cyprus flag and her registration in a foreign registry through a bareboat charter arrangement.

The parallel-out registration of a Cypriot ship is possible if she is bareboat chartered to a foreign individual or corporation and the law of the country of the foreign registry allows the parallel registration of vessels of another registry, under prerequisite conditions similar to those set out for the parallel-in registration of ships in the Cyprus Register of Ships.

This type of registration is possible for Cypriot ships which are provisionally or permanently registered in the Cyprus Register of Ships.

The application for the parallel-out registration of a Cyprus vessel is effected by her owner. The following documents must be submitted for this purpose:

- Application for parallel-out registration;
- Certified resolution of the directors of the ship-owning company resolving to bareboat charter the vessel to a foreign person, and register her parallel-out;
- Certified power of attorney if a third person is signing the bareboat charter party on behalf of the owners;
- Certified copy of the bareboat charter party;
- Certified written consent of the bareboat charterer for the parallel-out registration;
- Original certificate of Cyprus Registry;
- Written consent of the foreign registry confirming also that the law of the country allows the parallel registration of the Cypriot ship in its register with an official translation;
- Certified written consent of the mortgagees, if any;
- Confirmation from a recognised radio traffic accounting authority that they will continue to settle the vessel's radio-maritime accounts;
- Common declaration by the ship-owner and the bareboat charterer undertaking that during the ship's parallel registration in the foreign registry.

The status of the vessels registered parallel-out continues to be in force for the duration of the charter party, if the approval of the Minister and the consent of the foreign registry are in force, but in any case for a period not greater than 3 years, unless it is renewed. The Cyprus certificate of registration is returned to the ship-owner as soon as the parallel-out registration is terminated.

Mortgage Registration

Once a ship has been registered under the Cyprus flag, a mortgage can be created thereby securing a loan or other financial obligations on conditions agreed to by the parties without the need for exchange control permission. The creation of a mortgage under Cypriot laws is not allowed on vessels registered parallel-in in the Cyprus Register of Ships.

A mortgage once created must be deposited with the Registrar of Cyprus Ships or with a consular officer on the instructions of the Registrar. Whether deposited with the Registrar or with a consular officer, the mortgage is recorded thereafter in the Register as from the date and hour of its deposit and remains an encumbrance on the vessel until discharged by the

mortgagees. A mortgage may be created independently of whether the ship is provisionally or permanently registered.

If the ship on which a mortgage was created belongs to a Cypriot company, the mortgage will also have to be registered with the Registrar of Companies within a maximum period of 42 days after its creation. The mortgagee's security is protected in the case of liquidation of the shipowning company. Transfer of a mortgage may be effected by completing the statutory form of transfer and submitting it to the Registrar of Cyprus Ships or to a consular officer. The fees payable on transfer are the same as those for the registration of the mortgage on the ship.

In order to discharge a mortgage, a memorandum of discharge will need to be duly executed by the mortgagee. It will then have to be attested and delivered to the Registrar of Cyprus Ships or a consular officer on the instructions of the Registrar.

Seafarer Documents - Endorsements

Officers and ratings serving on board Cyprus flag ships are not required to hold any license or certificate issued by the Cypriot government, permitting them to perform duties on board. They must, however, be in possession of an appropriate, recognised and valid certificate of competency for the post they hold on board.

Provisions in the Republic's merchant shipping legislation stipulate that 15 percent of the crew of a Cypriot ship must be Cypriot. However, due to the limited availability of Cypriot seamen, crew members, may be of any nationality but must be holders of certificates of competency issued by one of the countries whose certificates of competency Cyprus has recognised.

In order to facilitate the manning of ships flying its flag, the Cypriot government has concluded a number of bilateral agreements in the field of merchant shipping with labour supplying countries. These agreements contain provisions for the employment on Cypriot ships of properly qualified seamen from these countries. The terms of employment of these seamen are those approved by the competent authorities and / or seamen unions of their country.

Every Cypriot ship should be in possession of a valid document of safe manning (form MS.38A, MS.38B, MS.38C, MS.38D or MS.39) specifying the number and composition of her complement. Owners of Cypriot ships should apply to the Department of Merchant Shipping requesting the issue of a document of safe manning.

If the vessel is designed and constructed with unattended machinery spaces, or is provided with any other automated machinery or remote controls, on account of which the owner may seek reduced manning, then the owner should indicate these in his application and should request the vessel's classification society to advise the Department on these, including the corresponding class notation and confirm the class position of the vessel, as far as this notation is concerned.

If the vessel is to be engaged exclusively in trading in a particular geographical area and the owner seeks reduced manning on account of this, then he should indicate it by stating the names of the ports from which the vessel will be plying or by providing the geographical co-ordinates (latitude and longitude) and other appropriate information defining the geographical area in which the vessel will be sailing or by submitting an appropriately marked chart.

It is important to note that on application to the Minister of Communications and Works, dispensation from all the provisions of the manning regulations may be obtained if special circumstances apply.

Company Formation

In order to obtain permission from the Central Bank of Cyprus to incorporate the required company, the following information is required:

- Bank Reference for each shareholder;
- Copy of first 3 pages of each shareholder's passport and their full style address abroad;
- CV to be completed.

Please note that if one of the shareholders is a company then a copy of the company's last annual return will have to be submitted, along with a copy of its registration certificate.

Two types of set-up can be offered:

The first type, the shares are registered on the name of the actual beneficiary. Its directors are the beneficiaries, (or other chosen people not residing in Cyprus). This means that any person may find out (through a search at the Companies' Registry) who the actual Owners and directors are.

In the Second type, we offer the trustee shareholders (with the approval of the Central Bank of Cyprus who will know the actual Owners). We sign with beneficiaries a confidential "trust deed" securing their rights and anonymity to the public.

A nominee director may be used. The client can still operate the Company himself by Power of Attorney, which will be issued to him by the Directors.

Authorised Classification Societies

Classification Societies Recognised by the Government of the Republic of Cyprus American Bureau of Shipping (ABS)

- Bureau Veritas (BV)
- China Classification Society (CCS)
- Cyprus Bureau of Shipping (CBS)
- Det Norske Veritas (DNV)
- Germanischer Lloyd (GL)
- Hellenic Register of Shipping (HRS)
- Korean Register of Shipping (KRS)
- Lloyd's Register of Shipping (LRS)
- Nippon Kaiji Kyokai (NKK)
- Polski Rejestr Statkow (PRS)
- Registro Italiano Navale (RINA)
- Registrul Naval Roman (RNR)

■ Russian Maritime Register of Shipping (RS)