

Yacht Registration

According to the latest circular issued by the VAT authorities in Cyprus, an opportunity has arisen for yacht owners who are looking for the most favorable flag from the reduced tax implications point of view. It can take the form of a straight forward charter party or a charter party combined with hire purchase of the yacht by the charterer.

The new scheme which is created allows a reduction in the VAT payable provided the yacht fulfills some requirements.

Criteria

1. The yacht needs to be owned by a company registered under the laws of Cyprus and be leased to any other person, either legal or natural person;
2. The yacht needs to depart to Cyprus within a month from the date of its charter and remain in Cyprus for a specific period of time;
3. The initial payment under the charter should be at least equal to 40% of the total value of the yacht;
4. The maximum charter period should not exceed 48 months and the payments under the charter party should be payable on a monthly basis.
5. The charterer is expected to make a profit out of the charter party not less than 10% of the total value of the yacht. At the beginning of the charter party period, the total amount of hire on which the VAT is calculated is increased by the 50% of the said profit i.e. by 5%.
6. The final payment at the end of the charter hire period as a result of which the ownership of the yacht is transferred to the charterer cannot be less than the value of the yacht which is also part of the total profit of charter party hire. The final payment is charged with the regular VAT at 17%.
7. A ruling from the VAT is required on a case by case scenario.

Tax implications

Motor Boats

Length of the Yacht (in meters)	Deemed usage percentage within EU	VAT applicable
Over 24	20%	20% x 17%
Between 14.01 and 24	30%	30% x 17%
Between 8.01 and 14	50%	50% x 17%
Up to 8	60%	60% x 17%
Yacht licensed to access protected waters	100%	100% x 17%

Sailing Boats

Length of the Yacht (in meters)	Deemed usage percentage within EU	VAT applicable
Over 24	20%	20% x 17%
Between 20.01 and 24	30%	30% x 17%
Between 10.01 and 20	50%	50% x 17%
Up to 10	60%	60% x 17%