

Yacht Leasing Scheme

Since March 2012, after the Cyprus tax Authorities published guidelines clarifying the VAT treatment of the Yacht Leasing Schemes, Cyprus has been running a private yacht regime. In 2015, the Cyprus tax regime Authorities issued new guidelines, making Cyprus' yacht scheme being described as one of the most attractive VAT yacht regimes in Europe, with lowest tax 3.05%.

The Scheme's main aim is to relieve the VAT burden in the purchase of yachts, used mainly for private purposes.

What do we mean by "Yacht leasing agreement"?

The agreement refers to the lessor (the owner of the Yacht), who enters into a contract with the lessee (the person who leases the yacht) for using the yacht for a consideration. The agreement could also give the opportunity to the lessee to purchase the yacht at a percentage of the price of the yacht.

Essential pre-requirements for the Regime to operate:

- The lessor's place of origin has to be a company registered under the Republic's Companies Law.
- The lessee has to be a legal or natural person regardless of the place of establishment or residence.
- **The yacht use within the EU territorial waters** is difficult to be calculated. To resolve the problem, the percentage of time that the yacht spends in the EU waters has been predetermined.

A six step procedure is required for the approval of the VAT scheme:

- Prior Approval from Cyprus VAT Commissioner; together with the submission of relevant details of the craft, the applicant must submit an inter alia certificate and survey of the vessel, bill of sale and such other documentary evidence.
- Register Cypriot Company (CypCo); the company must have as its main trading objective the power to operate, charter and manage yachts.
- Cypriot Company applies for VAT
- Cypriot Company enters into lease agreement
- Submission of the lease agreement and supporting documentation to VAT Department
- VAT Department issues letter of approval



Yacht Leasing Scheme

The percentages are determined according to the type and length of the yacht. The Cyprus Yacht Leasing Scheme will charge regarding the size of the vessel versus percentage of time spent in EU territorial waters:

Motor Yachts

Length	% of deemed time yacht spent in EU waters	Effective % rate of VAT
Greater than 65 meters	10%	3.05%
45.01 to 65 meters	15%	4.02%
24.01 to 45 meters	20%	5.00%
14.01 to 24 meters	30%	6.94%
8.01 to 14 meters	50%	10.84%
8 meters	60%	12.79%

Sailing Yachts

Length	% of deemed time yacht spent in EU waters	Effective % rate of VAT
Greater than 65 meters	10%	3.05%
45.01 to 65 meters	15%	4.02%
24.01 to 45 meters	20%	5.00%
20.01 to 24 meters	30%	6.94%
10.01 to 20 meters	50%	10.84%
Up to 10 meters	60%	12.79%

Specific Conditions required for the Yacht Leasing Scheme to apply:

- A lease agreement must exist between a Cyprus company and any legal or natural person, irrespective of origin.
- The Yacht must sail to the Republic within one month from the date of signing of the lease agreement. Any time extension with regards to the one month period may be given only by the Tax Commissioner.
- The initial contribution from the lessee to the lessor must be at least 40% of the yacht's value.
- The Lease Payments must be payable on a monthly basis. The term of a lease agreement cannot exceed the period of 48 months.

- The lessor is expected to take attain a profit margin from the lease agreement of no less than 5% of the total value of the Yacht. In the year the lease agreement commences the total amount of lease payments on which VAT is calculated is increased by half of the calculated profit.
- The lessee may purchase the yacht at the end of the lease period and the final installment which results to the transfer of the ownership of the yacht to the lessee cannot be less than 2.5% of the yacht's value and is subject to the standard VAT rate 19%
- An advanced written approval of the Commissioner is needed for approving the value of the yacht and the applicable amounts on which VAT will be levied according the extent of its use within EU waters. The application must be accompanied with a certified certificate proving that the value of the yacht as well as the leasing agreement which is entered between the parties.
- The Commissioner may reject any application or request additional information by the lessor regarding the use of the yacht.



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The firm's work methodologies are designed to deliver its services without compromise to professional standards and ethics. Personnel are specialists in their own fields and are also given ongoing training in various competences which is ultimately a benefit to all its clients.



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Got any Questions?

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