

# Aircraft Leasing Scheme

The new guidelines issued by the Cypriot VAT authorities with regards to the registration of private aircrafts, make Cyprus the most attractive jurisdiction in the European Union (EU) in this area, reducing the effective VAT rate for private aircraft registration to as low as 4,37% through the use of the “Private Aircraft Leading Scheme”.

The scheme involves a lease of the aircraft with an option to purchase it at an agreed price, and is similar to the existing scheme for yachts. The special regime applies to a private aircraft owned by a Cyprus VAT registered company which are leased to any physical or legal person established or permanently resident or ordinarily resident within the Republic of Cyprus and which is not engaged in any business activity.

For the purpose of this scheme, a Private Aircraft Leasing Agreement is an agreement under which the lessor, being the owner of the private aircraft, for a certain consideration, contracts the use of the aircraft (leases the aircraft) to the lessee.

For Cypriot VAT purposes the lease of a private aircraft is subject to the standard VAT Rate (19%) to the extent that the leased aircraft is used within the air space of the European Union (EU).

However, further to the Private Aircraft Leasing Scheme, there is no longer need to keep records (log books) as to the time the aircraft is used within the EU. Instead, the relevant percentage will be calculated based on the aircraft size and type (piston, turbo or jet aircraft).



# Aircraft Leasing Scheme

The purpose of this scheme is to determine the percentage of time a private aircraft spends within the air space of the European Union (EU), based on the aircraft size and type, and apply VAT according to this percentage.

## VAT Charge Percentage Calculation

Maximum take-off weight (Kg)	Deemed percentage of use within EU	VAT charge percentage
<b>Piston-engine aircraft</b>		
Large: over 15,001	40	7.6
Medium: between 5,000-5,701	60	11.4
Small: between 3,001-5,700	80	15.2
Light: under 3,000	100	19
<b>Turboprop aircraft</b>		
Large: over 15,001	25	4.75
Medium: between 5,701-15,000	35	6.65
Small: between 3,001-5,700	45	8.55
Light: under 3,000	55	10.45
<b>Jet aircraft</b>		
Large: over 15,001	20	3.8
Medium: between 5,701-15,000	30	5.7
Small: between 3,001-5,700	40	7.6
Light: under 3,000	50	9.5

In order for the above percentages to apply a prior written approval from the VAT Commissioner is required. Thus, an application must be filed to the VAT Authorities accompanied by the lease agreement and documentation supporting the purchase price/ value of the aircraft.

## The lease agreement must satisfy the following requirements:

- A lease agreement must exist between a Cyprus VAT registered company and any physical or legal person established or permanently resident or ordinary resident within the Republic of Cyprus and which is not engaged in any business activity.
- The private aircraft must fly to Cyprus within 2 months from the commencement of the lease agreement.
- Lease payments are required to be monthly and the lease period cannot be less than 3 months (91 days) or exceed the period of 60 months.
- The initial contribution from the lessee to the lessor must be at least 40% of the aircraft's value payable at the inception of the lease agreement.
- The lessor is expected to make a total profit from the lease agreement of at least 5% of the aircraft's original value. In the year the lease agreement commences the total amount of lease payment on which VAT is calculated is increased by half of the calculate profit, i.e. by 2,5%.
- The lessee may purchase the aircraft at the end of the lease period and the final installment which results to the transfer of the ownership of the aircraft to the lessee cannot be less than 2.5% of the aircrafts value and is subject to the standard VAT rate (19%).

**With the filling of an application the following information/documentation in relation to the aircraft must also be provide:**

- Noise Certificate
- Type Certificate (Manufacturer)
- Certificate of Airworthiness
- Airworthiness Review Certificate

The private aircraft can be registered under any Aircraft register in the world and not necessarily under the Cyprus Aircraft Register.

Irrespective of the above tables determining the use of the aircraft within the air space of EU, if any private aircraft is used exclusively and solely within the air space of the Republic of Cyprus, its lease its considered to be a taxable transaction and it is taxed at the standard rate applicable in the Republic and is calculated on the total value of the lease. The profit of the leasing company is subject to corporate income tax at 12.5%.

### **Certificate of VAT Payment**

If the lessee opts to purchase the aircraft at the end of the lease period, a certificate will be issued by the VAT authorities confirming full VAT Payment given that the total of the VAT due has been paid.

### **Certificate T2L**

When the owner of the aircraft pays VAT on the commencement of the lease (40% on the value of the aircraft), the lessor can import the aircraft into Cyprus and the Director of the Department Cyprus Customs and Excise Office will issue a T2L Certificate. In the case where the owner- lessee does not pay any VAT on the monthly lease installments, the Cyprus Tax Authorities will charge VAT on the total value of the lease installments.



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STEPHANOU**



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# Got any Questions?

Don't hesitate to come in contact with us!

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