



CYPRUS

Pleasure Yachts

The Cyprus VAT Service has launched new strategies on VAT payments applicable under the Yacht Leasing Scheme. Consequently, effective VAT charges can be reduced to as little as 3.4% of the initial value of a yacht - less than the equivalent in other favored jurisdictions, including Malta.

Under the Scheme, a Cypriot company can acquire a pleasure yacht and go into a lease-sale agreement for the yacht with a third-party lessee – an individual or company irrespective of their position. Since this is a service deemed to be supplied in Cyprus, VAT is due on the lease at the normal rates of VAT in Cyprus – currently 17% – but is payable only on that portion of the lease which the yacht spends in EU waters.

To avoid the trouble of establishing the exact length of stays in EU waters, the VAT Service has issued its own percentage scales based upon “presumed” lengths of stay for different types and lengths of yacht. Motor and sailing boats over 24-metres in length are deemed to spend only 20% of their time in EU waters (compared to 30% under the Malta equivalent scheme) to give an effective VAT rate of 3.4%, while motor boats below 8-metres and sailing boats below 10-metres are deemed to spend 60%, giving an effective VAT rate of 10.2%.



The yacht, which can be registered anywhere within the EU, must arrive in Cyprus within one month of the date of inception of the lease agreement and the initial lease payment must amount to at least 40% of the value of the yacht. Further lease payments are payable on a monthly basis, and the lease period must under no circumstances exceed the period of 48 months (36 months in Malta).



The lessee may buy the yacht at the end of the lease period, for a final consideration of not less than 5% of the initial value of the yacht. The VAT authorities will then issue a certificate to the lessee confirming full payment of the total VAT liability. The lessor is expected to make a total profit from the leasing agreement of at least 10% on the initial value of the yacht.

Please feel free to contact us with any questions or queries.

Trust 4 Trust Group

Email: info@trust4trust.com

Ph.: +41 91 220 4710

Fax: +41 91 220 4711

Mob: +41 79 93 400 50