



CYPRUS YACHT LEASING VAT SCHEME -

Cyprus VAT scheme is one of the most attractive within EU jurisdictions for yacht registration. According to that, a Cyprus company may enter into a lease-sale agreement with an option to buy in respect of the yacht with third party, paying VAT only on considerably reduced VAT rate.

MAIN CONDITIONS

1. The Lessor must be a Cyprus company whereas the Lessee could be anyone;
2. The proposed scheme should be submitted to the VAT authorities for pre-approval.
3. The initial lease payment should be at least 40% of the value of the yacht;
4. The yacht should sail within Cyprus within one month from the effective date of the lease. An extension of up to the effective date of the option to buy may be given by the Cyprus VAT authorities;
5. The lease payments should be made on a monthly basis and the lease agreement should not between 3 months and 48 months;
6. The Lessor should have a total profit of least 5% (2.5% profit on instalments and 2.5% profit on the option to buy) on the yacht's acquisition price. This profit can be distributed to the shareholders of the Lessor.

Example:-	
	€
Yacht Acquisition price	15.000.000
Profit on instalments - 2.5%	375.000
Total Value (including 2.5% of the profit)	15.375.00
Initial Contribution (40% of the original cost)	6.000.000
Due in Instalments (Up to 48 months)	9.375.000
Option to buy (2.5% of yacht acquisition price)	375.000
Total amount	15.750.000

7. The last payment made by the Lessee to the Lessor is subject to 19% VAT.
8. VAT paid certificate issued at the end of the scheme.



LEASING'S SCHEME APPLICABLE VAT RATES

MOTOR BOATS		
Length of the yacht	Percentage (%) of use within EU	Effective VAT Rate (%)
More than 65 meters length	10	2,42
Length between 45,01 -65 meters	15	3,40
Length between 24,01 -45 meters	20	4,37
Length between 14,01 – 24 meters	30	6,32
Length between 8,01 – 14 meters	50	10,21
Length up to 8 meters	60	12,16
Boat with permitted cruising use only within protected waters	100	19

SAILING BOATS		
Length of the yacht	Percentage (%) of use within EU	Effective VAT Rate (%)
More than 65 meters length	10	2,42
Length between 45,01 -65 meters	15	3,40
Length between 24,01 - 45 meters	20	4,37
Length between 20,01 – 24 meters	30	6,32
Length between 10,01 – 20 meters	50	10,21
Length up to 10 meters	60	12,16

ADDITIONAL TAXATION

1. Stamp Duty Tax

Stamp Duty payable in accordance with the value of the agreement:-

The first €5.000	0
Between €5.000 - €170.000	1.5‰
Above €170.000	2‰ (Capped at a maximum €20.000)

2. Corporation Tax

Net profit of the Lessor will be taxed at the rate of 12.5%.

OUR SERVICES:-

- Incorporation/ Management of Lessor;
- Registration of the pleasure yacht under the Cyprus flag;
- Drafting or reviewing and advising on the relevant lease-sale agreement;
- VAT compliance

DISCLAIMER

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