

A Consideration of Shipping Regimes in the Jurisdictions of Cyprus, Madeira (Portugal) and Malta

Shipping Regimes: this article on Dixcart.com provides an overview of the shipping regimes in Cyprus, Madeira (Portugal) and Malta.

12th December 2018

Dixcart can provide clients with a number of alternative ship registration solutions.

This note provides a brief overview of the shipping regimes in Cyprus, the Isle of Man, Madeira (Portugal) and Malta. More detailed information is available on request regarding shipping in each of the jurisdictions considered in this Article.

Cyprus

Cyprus is a major ship management centre attracting foreign ship owners through the highly favourable tax provisions available for shipping companies on the island. It is recognised as one of the most accessible registries in the EU.

The Cyprus shipping registry has not only grown in size in the last two decades but has also made a considerable effort to increase the quality of its fleet and related services. As a result the Cyprus flag is now classified on the white list of the Paris and Tokyo MOUs*.

Key advantages relating to the shipping sector in Cyprus include:

- A competitive tax regime for shipping companies, with an EU approved Tonnage Tax System (TTS) that is based on the net tonnage of the vessel rather than the corporation tax on the actual profit. This allows for mixed

activities within a group, shipping activities are subject to TT and other activities are subject to 12.5% corporation tax.

- Competitive operating costs, ship registration costs and fees.
- The income of officers and crew on Cypriot registered vessels is not subject to income tax.
- There are no nationality restrictions for officers or crew.
- Cyprus also offers a series of tax advantages which are applicable to ship and ship management companies: exemption from tax of dividend income (subject to limited conditions), exemption from tax on profits from foreign permanent establishments, and exemption from withholding tax on the repatriation of income (dividends, interest and nearly all royalties).
- More than 60 Double Tax Treaties.
- No estate duty on the inheritance of shares in a Cyprus shipping company and no stamp duty is payable on ship mortgage deeds.

Madeira (Portugal)

The International Shipping Register of Madeira (MAR) was established in 1989 as part of the Madeira International Business Centre ("MIBC") "package" of taxation benefits. Vessels registered with MAR carry the Portuguese flag and are subject to the International Treaties and Conventions entered into by Portugal.

The key advantages of ship registration in MAR are detailed below:

- The register is of a high standard, has EU credibility, is not regarded as a flag of convenience and is included in the Paris MOU white list.
- There are no nationality requirements for ship-owners of vessels registered in MAR. They are not required to have their head office in

Madeira. It is sufficient to have local legal representation with adequate powers.

- Only 30% of the safe manning must be “European”. This includes nationalities such as Polish, Russian and Ukrainian, as well as citizens of Portuguese-speaking countries. This requirement may also be derogated if duly justified. This allows for flexible manning.
- Crew wages are exempt from income tax and from social security charges in Portugal.
- The existence of a flexible mortgage system allows the mortgagor and the mortgagee, by written agreement, to choose the legal system of a particular country that will govern the terms of the mortgage.
- Competitive registration fees, there are no annual tonnage taxes.
- Eight International Classification Societies are recognised in Portugal. MAR can delegate some of its functions to these societies. This can be simpler and more convenient for ship owners.
- Temporary registration is allowed by law (bareboat charter: “In” and “Out”).
- Shipping companies licensed to operate within MAR benefit from a corporate income tax rate of 5% until 2027. They also enjoy automatic VAT registration and have access to the Portuguese double taxation treaty network.

Malta

Malta provides a reputable flag and ensures compliance with international and European standards. Registration of vessels under the Maltese flag take place in two stages. A vessel is provisionally registered for a six month period. During this provisional registration period, the owner is required to submit additional documentation and the vessel is then permanently registered under the Maltese flag.

There are a number of attractive tax reasons to consider ship registration in Malta:

- The standard corporate tax rules do not apply to shipping activities in Malta, due to a specific exemption. No tax on profits from shipping activities is therefore due. Following recent amendments this exemption has also been extended to ship management companies.
- Shipping operations are subject to an annual tax comprising an annual registration fee and a tonnage tax based on the net tonnage of the vessel. The rates of tonnage tax are reduced according to the age of the vessel.
- There is an exemption from stamp duty in Malta on the registration or sale of a ship, shares relating to a licensed shipping organisation and the registration of a mortgage relating to a ship.
- Individuals not resident in Malta who are officers or employees of a licensed shipping organisation, and the organisation that they work for, are exempt from social security contributions.

Dixcart Shipping Services

Dixcart can assist in all aspects of registering a ship in Cyprus, the Isle of Man, Madeira and Malta.

Services include the incorporation of the owner entity, coordinating the appropriate corporate and tax compliance, and registration of the vessel.

***White List Paris and Tokyo MOUs: Flags securing the highest rating in relation to the Memorandum of Understandings on Port State Control.**

Additional Information

If you would like additional information on this topic, please see our [Air Marine](#) page or speak to your usual Dixcart contact or to:

- [Charalambos Pittas](#) in Cyprus

- [Catarina Sardinha](#) in Madeira

- [Jonathan Vassallo](#) in Malta