

# CYPRUS Yacht Leasing Scheme



Cyprus has introduced a leasing scheme for yachts, whereby a pleasure yacht may be leased by a Cyprus company, as lessor, to a third party, as lessee, who may be any person or company regardless of country of residence or incorporation

The yacht leasing scheme is based on the existence of a written agreement between the owner of the yacht, as lessor, and the lessee, whereby the lessee agrees, for a period of time not less than 91 days or not exceeding 48 months, to use the yacht in consideration of payment of monthly lease payments. At the end of the leasing period, the lessee may have an option to purchase the yacht at a discount of the original price. The final consideration must not be less than 2.5% of the initial value of the yacht. This payment is subject to the prevailing standard rate of VAT (19%).

The leasing of a yacht is considered a supply of services with the right of deduction by the lessor of the input VAT.

The current VAT rate of Cyprus is 19% and applies only to the period the yacht is used by the lessee in the territorial seas of the European Union. In order to facilitate the calculation of the period of time a yacht is used within the territorial seas of EU, the scheme provides predetermined percentages of that period that depend on the type and length of a yacht. With such predetermined percentages, neither the lessor, nor the lessee is obliged to maintain (for the purpose of VAT) any log-book or other type of record of the movement of the yacht in and out of EU territorial seas.

If the lease agreement grants an option to the lessee to purchase the yacht at the end of the leasing period, and upon consummation of the same and payment of the applicable VAT rate, the VAT Department will issue to the lessee a VAT-paid certificate for the yacht.

The scheme provides for the following conditions to be met:-

1. A lease agreement is concluded between a Cyprus company and an individual or legal person (regardless of place of residence or incorporation).
2. The yacht arrives in Cyprus within 1 month from the date of inception of the lease agreement. Any extension of such time may granted only by the VAT Commissioner. Such extension shall not exceed the time at which the option to purchase the yacht is exercised.
3. An initial payment amounting to at least 40% of the value of the yacht must be paid by the lessee to the lessor at the inception of the lease agreement including the corresponding VAT amount.
4. The lease payments are payable on a monthly basis, and the lease period must not be less than 91 days or not exceed a period of 48 months.
5. The lessor is expected to make a total profit from the leasing agreement of at least 5% on the initial value of the yacht.
6. The prior approval of the VAT Commissioner needs to be obtained for the application of the Scheme in each particular case. Such approval will cover the acceptability of the initial value of the yacht, and the applicable percentage of use within EU territorial seas on the basis of which VAT will be applied. The application to the VAT Commissioner must be accompanied with all supporting documents relating to the purchase price and/or value of the yacht, and a copy of the lease agreement.
7. The VAT Commissioner has the right to reject any application or to request further information regarding the use of the yacht.

The applicable VAT rates are the following based on the pre-determined percentages of the period of time a yacht is used in and out of EU territorial seas:-

**Table A: Motor Yachts**

<b>Length of yacht</b>	<b>Percentage of use within EU waters</b>	<b>Effective VAT rate</b>
over 65 meters	10%	<b>3,05%</b>
Between 45,01 and 65 meters	15%	<b>4,02%</b>
Between 24,01 and 45 meters	20%	<b>5%</b>
Between 14,01 and 24 meters	30%	<b>6,94%</b>
Between 8,01 and 14 meters	50%	<b>10,84%</b>
up to 8 meters	60%	<b>12,79%</b>

**Table B: Sailing Yachts**

<b>Length of yacht</b>	<b>Percentage of use within EU waters</b>	<b>Effective VAT rate</b>
Length over 65 meters	10%	<b>3,05%</b>
Between 45,01 and 65 meters	15%	<b>4,02%</b>
Between 24,01 and 45 meters	20%	<b>5%</b>
Between 20,01 and 24 meters	30%	<b>6.94%</b>
Between 10,01 and 20 meters	50%	<b>10.84%</b>
Length up to 10 meters	60%	<b>12,79%</b>

Finally, the profit to be made by the lessor under the leasing scheme will be subject to tax at the normal income tax rates, which is 12.5%.

**For further information please contact our team**

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