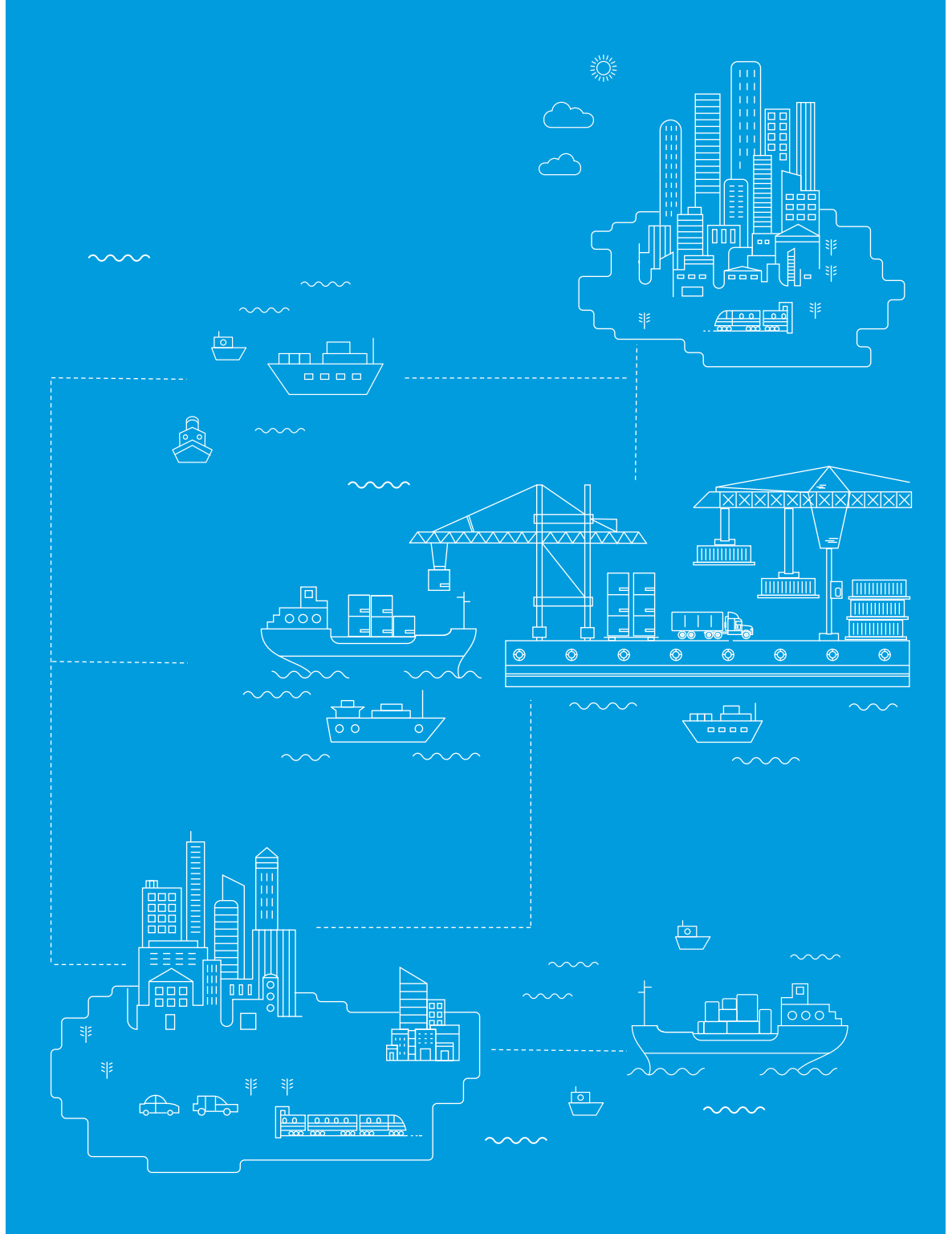


# CYPRUS SHIPPING INSIGHTS 2023





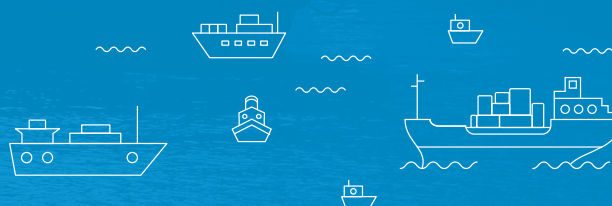
Let us help you chart your  
route to success  
and navigate complex  
challenges with confidence.

57.000 curious minds | 830 offices | 120 countries



# Table of Contents

<u>FOREWORD</u>	4
<u>BRIEF OVERVIEW</u>	5
<u>CYPRUS</u>	7
<u>CYPRUS ECONOMY</u>	8
<u>SHIPPING</u>	12
<u>Cyprus Shipping</u>	20
<u>Official Shipping offices, bodies and associations</u>	27
<u>Cyprus Ports</u>	31
<u>Maritime Safety &amp; Security</u>	34
<u>Registration</u>	36
<u>Fiscal and Economic Incentives</u>	39
<u>International Presence</u>	43
<u>Long-term National Strategy for Cypriot Shipping</u>	44
<u>INSIGHTS BY INDUSTRY LEADERS</u>	51
<u>FINAL REMARKS</u>	55
<u>THE POWER OF BEING UNDERSTOOD</u>	57



# Cyprus Shipping Insights 2023



## FOREWORD

The maritime sector handles the movement of people, cargo, and other items by sea. This covers all types of ships, including container ships, oil tankers, cruise ships, passenger ferries, and even smaller boats like fishing boats. It is a necessary component of the global economy; without it, trade between nations would halt. The maritime industry is essential for international trade and economic growth for various reasons that touch on almost every facet of contemporary life.

Cyprus acknowledged the political, economic, and social significance of shipping as early as 1963. Since then, Cyprus has successfully lured shipping entrepreneurs and grown its economy into a full-fledged shipping hub with a resident shipping sector famous for its top-notch products and safety standards. Its strategic location at the meeting point of three continents (Europe, Asia, and Africa) allowed it to significantly contribute to the island's prosperity as a hub for international shipping.

2022 was a particularly challenging year for the shipping industry due to the ongoing pandemic during the first half of the year, as well as the geopolitical and economic developments resulting from Russia's invasion in Ukraine. Despite the challenging circumstances, Cyprus' response stands as proud to manage these challenges, and more specifically, the tenacity that Cypriot Shipping displayed in the face of difficulties. During 2023, the sector has proven its dynamic with continuous development and increased adherence to the regulations imposed.



**Nicolas Agathocleous**  
Partner, Board Member,  
Head of Advisory Services

The RSM "Cyprus Shipping Insights 2023" guide aims to provide insights and information about the shipping environment in Cyprus. In this respect, it identifies and demonstrates the unique characteristics, aspects and competitive advantages surrounding the island's shipping environment, thereby transmitting messages to stakeholders, professionals and other interested parties, encouraging them to embrace progress and change towards the significant challenges.

However, this publication only intends to provide general information and cannot substitute any specialised professional advice.

Our team of Certified Public Accountants, Advisors and Consultants, who are experts in their field, are committed to helping you overcome today's challenges and move forward with confidence.

### This is the Power of Being Understood.



# BRIEF OVERVIEW

Cyprus is the third-largest and third-most populated island in the Mediterranean. It is strategically situated in the Eastern Mediterranean, where Europe, Asia, and Africa meet. It is also next to the major sea and air routes that link Europe to the Arab world and the Far East.

The services sector dominates Cyprus' market economy. The most significant services historically have been those related to real estate, finance, shipping, and tourism. The island is an established international business and service centre. The Cypriot economy demonstrated significant resilience in the last years due to strong financial fundamentals, which helped address the adverse geopolitical and economic developments. The economic indicators are predicted to increase performance further, while the rating agencies have confirmed the country's credit rating at the investment level.

The maritime trade recovered in 2021 on international level, however, since the summer of 2022, most of the busiest ports have seen a decline in traffic because of the current uncertainty in the world. For 2023–2027, it is expected to expand at an annual average of 2.1%. Developing economies continued to make up the largest portion of global seaborne trade.

The global commercial fleet increased by 2.95% in dwt terms in 12 months until January 2022. However, the fleet has been ageing, due to uncertainty about future fuel and carbon prices, regulations, and technological advancements forcing shipowners and operators to put off investments and continue operating their older vessels.

Greece, China, and Japan remained the top three ship-owning nations. As of January 1, 2022, the top three registration flags were those of Panama, Liberia, and the Marshall Islands regarding dead-weight tonnage and commercial value.

In Europe, maritime shipping has been an essential form of transportation for European nations for centuries with 849m tons of goods handled in the main European Union (EU) ports in the fourth quarter of 2022.

Cyprus has evolved into a modern, efficient and integrated shipping complex combining an internationally recognised registry of high standards and a developed on-site shipping industry active in a wide range of shipping activities. Cyprus' flag has become one of the most well-known in the world mainly due to its geographic location and favourable tax laws. A legal system based on the English model, an effective civil service, good labour relations, an exceptionally high level of professionalism in the legal and accounting sectors, banking system, telecommunications, and air links to all key locations are all present in Cyprus, providing a solid framework for business establishment for entrepreneurs. Cyprus's commercial fleet is currently ranked as the third (3<sup>rd</sup>) largest in the EU and the eleventh largest (11<sup>th</sup>) in the world, making it one of the world's largest ship management hubs and establishing the island as a major naval force.

The Register of Cyprus Ships is also one of only two open registries within the EU. The Cyprus Merchant Shipping Register is estimated to constitute 15% of the whole EU's fleet. Though, the Turkish Embargo adversely affects the growth of the Cyprus registry, it also distorts the principle of fair and free competition in shipping trade with the EU.

The sector's behaviour is heavily influenced by changes in the oil price and the geopolitical climate. As a result, shipping companies must cope with a number of issues, including fluctuating freight rates, environmental concerns, geopolitical limitations, transportation expenses, port fees, crewing costs, logistical processes, etc.

Shipping continues to be one of the main pillars of the Cypriot economy. The income from shipping activities has risen to more than 1.2 billion euro in 2022, equating to over 7% of GDP.

There are various official shipping offices, bodies and associations in Cyprus referring, to the Department of Merchant Shipping, The Shipping Deputy Ministry, The Cyprus Ports Authority, the Cyprus Shipping Chamber, The Cyprus Shipping Association (CSA), the Cyprus Union of Shipowners, The Institute of Chartered Shipbrokers, The Cyprus Marine Environment Protection Association and the WISTA Cyprus whose main goals are to protect and develop Cypriot shipping sector as a safe, socially responsible, and sustainable environment.



Cyprus' strategic location in the north-eastern corner of the Mediterranean, at the intersection of major international and regional shipping lanes, has allowed Cyprus ports to be defined as a natural place of call for vessels sailing into and out of the Mediterranean region. The island has strengthened its status as an important EU outpost in the Mediterranean area by becoming a suitable transshipment hub for trade between Europe and the Far East.

The Cyprus flag is a top-notch sovereign flag that duly complies with all safety and security criteria deriving from the Paris and Tokyo MoUs and is included in the "White List" of both MoUs. It also adheres to all safety and security standards established by international maritime and other organisations.

In terms of registration of vessels, any size or type of vessel may be registered in the Cyprus Register of Ships provided that it complies with the Department of Commercial Shipping circulars and commercial shipping laws and meets the requirements for its age and type. The Shipping Deputy Ministry divides ship registration into three categories – Provisional, Permanent and Bareboat charter registration (parallel).

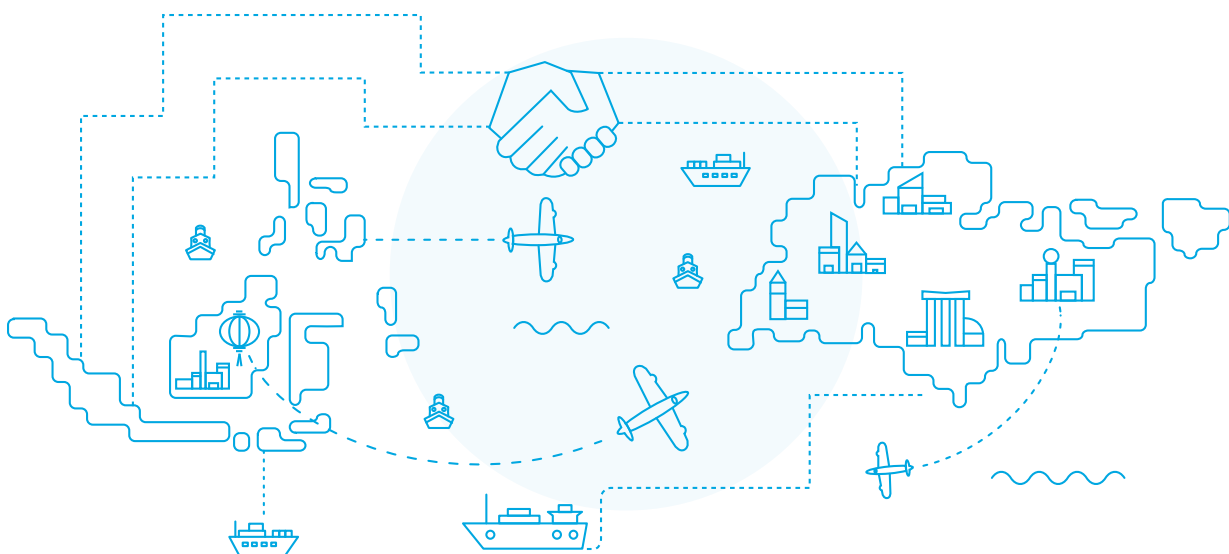
Many fiscal and economic benefits are available, including competitive ship registration costs and annual tonnage taxes, a favourable tax structure for ship management and other international business enterprises, environmental incentives, the availability of qualified local workers, and the generally low operation and construction costs, which encouraged the establishment of local businesses with fully functional offices in the island by many European businesspeople.

Cyprus is the only EU member with an approved tax system (Tonnage Tax base) for commercial shipping. The Merchant Shipping Law, N44(I)/2010, passed by the House of Representatives and went into effect on January 1, 2010, as amended, places Cyprus in a prominent position and offers various benefits to shipping businesses that pick Cyprus as a base for operations.

Cyprus has a significant global presence and participates actively in decisions made by international organisations, like the IMO, the ILO, and the EU, regarding various topics relating to the maritime industry.

With the intention to strategically promote the Cypriot Registry and the Cypriot Shipping domestically and globally, the Deputy Ministry of Shipping has created the national "SEA Change 2030" plan.

The establishment of Cyprus as an internationally integrated shipping centre and the development of a competitive and high-quality national registry and quality shipping cluster, comprise the vision of the strategy, aiming at the further development of the Cyprus Registry and maritime complex, the strengthening of the position of Cyprus as an international shipping centre, the promotion of Blue Development and the formulation of long-term policy.



# CYPRUS



## Location

Cyprus is the third-largest and third-most populated island in the Mediterranean. It is located in the Eastern Mediterranean, at the crossroads of Europe, Africa and Asia, close to the busy sea and air routes connecting Europe with the Arab world and the Far East. It shares a maritime border with Egypt 300km to the south, Lebanon 108km to the east, and Turkey 71km to the north, while mainland Greece lies 800km to the northwest.

## Political system

Cyprus is a presidential republic. The president is both head of state and government. Despite joining the EU as a de facto divided island, the whole of Cyprus is EU territory. Turkish Cypriots who have or are eligible for EU travel documents are EU citizens. EU law is suspended in areas where the Cypriot government (Government of the Republic) does not exercise effective control.

## Membership

The Republic of Cyprus has been a member of the Commonwealth since 1961 and was a founding member of the Non-Aligned Movement until it joined the EU on 1 May 2004. On 1 January 2008, the Republic of Cyprus joined the Eurozone.

The country is a member of various international organisations, including the Council of Europe, United Nations, IMF, World Bank, Commonwealth, World Trade Organisation, etc.



# CYPRUS ECONOMY



## Resilient Economy

Cyprus has a market economy where the services sector, which generates more than 80% of GDP, dominates. Historically, the most prevalent service sectors have been real estate, shipping, finance, and tourism.

Cyprus is an established international business and service centre. In the last few decades, the country has established itself as a profound international business and service centre for shipping, financial services and commerce, classified by the World Bank as a high-income country.

Despite various economic crises, shocks and challenges posed on a global scale over the last 15 years, Cyprus has presented its ability to overcome those obstacles, earning its reputation as one of the most resilient EU economies of diversifying and attracting new investments. In particular, it has managed to overcome the 2012–2013 Cypriot financial crisis, returning to growth in the first quarter of 2015 after the completion of its three-year financial assistance programme by the European Stability Mechanism and the IMF at the end of March 2016. The island returned to an investment-grade rating in 2018. With reference to the coronavirus pandemic and the consequent recession of economic activity recorded in 2020, the Cypriot economy recovered in 2021, gradually returning to pre-crisis levels of 2019, reaching a growth rate of 5.5% and limiting unemployment to 7.5% from 7.6% of the previous year.

The devastating Russian-Ukrainian war and the aftermath of international sanctions imposed on Russia caused significant rises in energy prices, interest rates, and inflation, causing a substantial reduction in consumer purchasing power. Even so, Cyprus has managed to record the eighth-highest level of growth among EU member states during 2022, recording a substantial growth rate of approximately 6%. Moreover, during the past few years, the banks have consolidated, boosted and diversified their capital base and cut non-performing loans by over 80%.

The success of Cyprus in the economic orb has been attributed, inter alia, to the adoption of a market-oriented economic system, the effectiveness of the government policy, the domination of dynamic and flexible entrepreneurship and a highly educated labour force. Moreover, the economy benefited from the close cooperation between the public and private sectors.

## Real GDP

In 2021 the real GDP of the Cypriot economy increased by 5.5% and returned to pre-pandemic levels, following the 5% recession recorded in 2020. In 2022 real GDP increased by 5.6% amounted to €27 billion.



Source: CYSTAT

The Cypriot economy showed significant resilience due to its strong financial fundamentals, which helped to address the opposing geopolitical and economic challenges. Its strength is driven mainly by domestic demand, underpinned by fiscal stimulus, tourism, as well as exports of services. The domestic demand as private consumption increased strongly due to restrained demand following the pandemic period and to a significant employment increase. At the same time, the government reformed its public finances, and public debt was decreased, reaching sustainable levels while allowing fiscal support to enterprises affected by the pandemic.

Specifically, the economic development was also due to the better-than-expected performance of the tourist industry despite the prohibition of the use of the EU air space from Russia and vice versa, falling under the imposed restrictive measures/sanctions against Russia enforced by the EU the US and the United Kingdom with the primary objective of bringing direct blow to the Russian economy. Russian market accounted for 20% of inbound tourism before the Russian-Ukrainian crisis. Nevertheless, the government took action to search for alternative tourist markets while adding new tourist attraction destinations, which has paid off. Moreover, the improved connectivity of Cyprus by air and sea increased tourism. Airlines expanded their routes to Cyprus and added new destinations, cruise lines used Cypriot ports as a base, and the resumption of the ferry service between Cyprus and Greece after a 20-year hiatus was also a significant development. Considering the official statistics on tourist arrivals, 2022 is a record year for the tourism industry, surpassing the results of 2019.





Moreover, the non-dependence of the Cypriot economy on Russian natural gas and the minimal exposure of the Cypriot banking sector to the Russian economy were among the reasons for the Cyprus economic development during the year 2022. Further, the economy received aid by the new lending to the non-financial private sector and the reception of an inflow of foreign direct investment, which was invigorated by the cathode of a large number of foreign companies within the framework of the Strategy for Attracting Companies to Act and/or Expansion of their Activities in Cyprus ("international headquarters").

On top of that, the EU's substantial financial support of €1 billion during the period of 2021-2027 for economic and social development and an equitable green transition, along with the introduction of new incentives, will continue to attract a wide array of high-quality foreign investment.

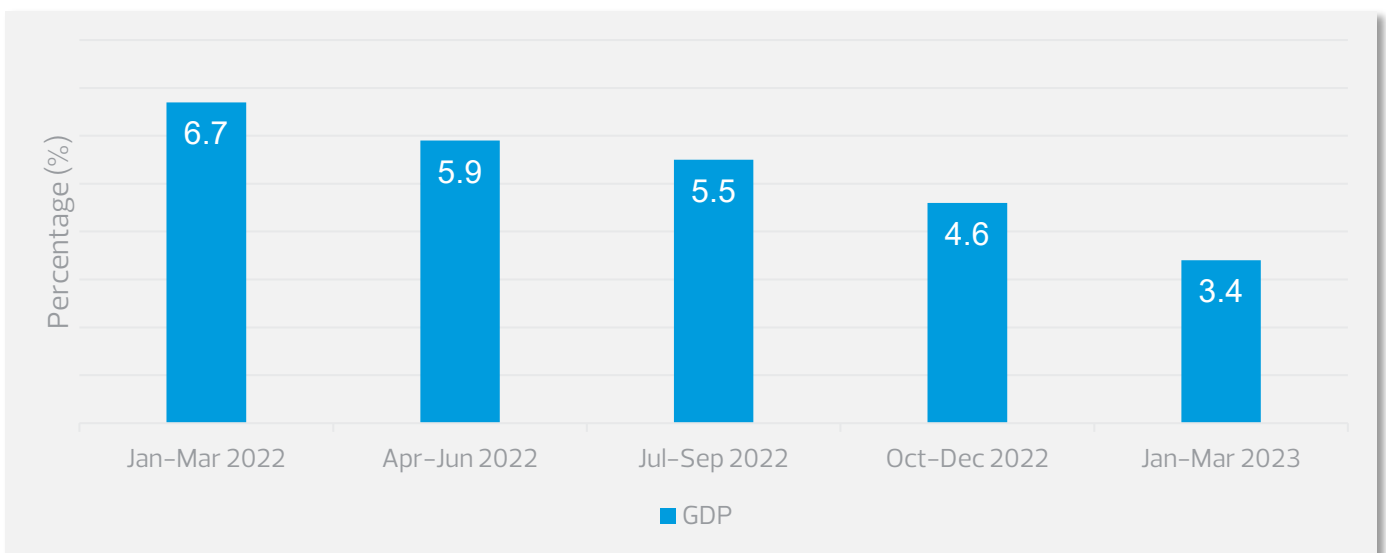
The positive course of economic activity in Cyprus and the recorded improvement in the banking sector's assets continue in 2023, despite the ongoing war in Ukraine and interest rate hikes in the euro area to deal with persistent inflationary pressures.

The GDP growth rate in real terms during the first quarter of 2023 is positive, advanced by 3.4% down from a 4.6% growth in the previous 3-month period. The positive GDP growth rate mainly reflects the resilience of domestic demand as recorded in wholesale and retail trade sectors and the excellent performance of the tourism industry during the period. Correspondingly, the positive GDP growth rate is observed mainly in the sectors: "Hotels and Restaurants", "Transport and Storage", "Information and Communication", "Wholesale and Retail Trade", "Repair of Motor Vehicles", "Arts, Entertainment and Recreation", "Other Service Activities" and "Financial Activities".

The robust domestic demand and, to a lesser extent, net exports, which arise from the anticipated increase of international firms' turnover that are already established in Cyprus, are predicted to assist growth significantly.

Furthermore, the continuous growth of the tourist revenues, which, according to the latest results of 2023, already have rebounded to pre-pandemic levels, significantly contribute to the development.

### Growth Rate of GDP in Volume Measures



Source: CYSTAT

The implementation of the Cypriot Recovery and Resilience Plan is expected to support investment, notably in construction and equipment. Tourism and other export-oriented services are projected to continue growing.

Overall, real GDP is forecasted to grow by 2.6% in 2023 and to increase to 2.8% in 2024 and 3.1% in 2025, while in Europe the growth rate is predicted at 0.8% in 2023 and 1.4% in 2024, according to the European Commission's summer 2023 economic forecast.



## Other Economic Indicators

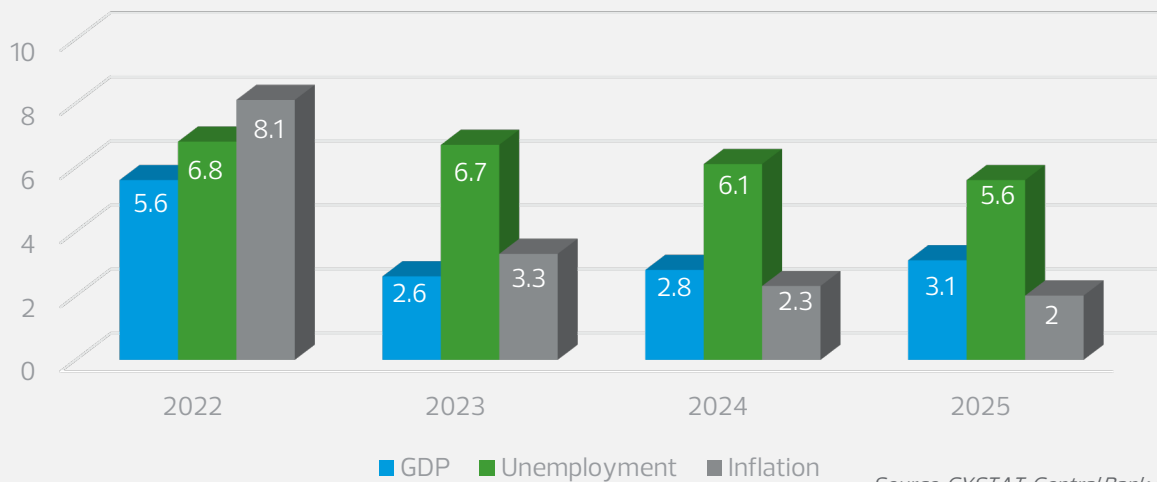
Inflation is expected to be formed at 2.4%, which constitutes a lower inflation rate than in July 2021. The major retreat in inflation was consequential mainly due to the normalisation of energy prices but also the single monetary policy in the euro area, of which further effect is expected because of the time lag of its transmission.

According to the forecasts of CYSTAT and the Central Bank of Cyprus, inflation is expected to drop significantly to 3.3% in 2023 compared to 8.1% in 2022 since global energy prices moderate and supply chain disruptions gradually fade. Further de-escalation of inflationary pressures is foreseen for 2024 and 2025, to 2.3% and 2%, respectively, mainly due to the expected additional impact of the single monetary policy in the euro area and the expected further normalisation of energy and other prices. In Europe, inflation is predicted at 6.5% in 2023 and 3.2% in 2024, as stated by the European Commission's summer 2023 economic forecast.

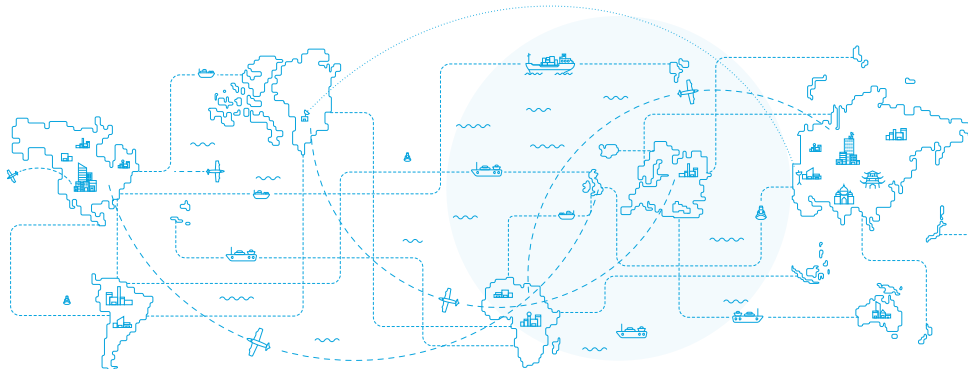
The series of increases in key interest rates by the European Central Bank target to form levels to ensure the timely reinstatement of inflation to the medium-term target of 2%.

Unemployment is expected to decline marginally to 6.7% of the labour force in 2023 from 6.8% in 2022. The foreseen reduction in unemployment is due to the tightness seen in the labour market despite the ongoing impact of the war in Ukraine, as seen in the monthly surveys of the European Commission regarding employment expectations. In 2024–2025, a continued downward trend is predicted, in line with the expected GDP growth, with unemployment reaching 6.1% in 2024 and 5.6% in 2025, approaching full employment conditions.

### Forecasts June 2023 for the main macroeconomic indicators (annual %)



Source: CYSTAT, Central Bank of Cyprus



In 2023, Cyprus is expected to continue to have a 1.8% GDP government budget surplus. Government revenue is supported by the persistently robust performance of private consumption, corporate earnings growth, and wage increases.

The government's overall balance increased to a sizeable surplus in 2022, amounting to 2.1% of GDP. Stronger than anticipated budgetary performance, bolstered by buoyant revenue increases brought on by the economy's ongoing expansion.

The budget surplus is anticipated to equal 2.1% of GDP in 2024. The predicted phase – out of the measures to reduce the effect of high energy cost applied until June 2023 is responsible for the increase.

Based on anticipated nominal GDP growth and primary surpluses, the debt-to-GDP ratio is expected to decline during the following years. It is anticipated to drop from 86.5% in 2022 to 80.4% by the end of 2023 and 72.5% in 2024.

General Government Balance (% of GDP)	
2022	2.1
2023	1.8
2024	2.1



Source: European Commission

Gross Public Debt (% of GDP)	
2022	86.5
2023	80.4
2024	72.5

Current Account Balance (% of GDP)	
2022	-9.1
2023	-7.3
2024	-6.9

## Credit Ratings

In 2022, the rating agency Moody's confirmed the credit rating of Cyprus at Ba1 and set the outlook to positive. The rating agency Standard and Poor's (S&P) upgraded Cyprus' long term credit rating by one notch to BBB from BBB- assigning stable outlook.

In 2023, the rating agencies Fitch and DBRS have both affirmed Cyprus at BBB with a stable outlook. The credit evaluations highlight the steps towards stability and progress of the Cypriot economy, meeting expectations better than expected as to the economic and fiscal performance of Cyprus during 2022.

The Cyprus House of Representatives noted that the most important factors for the future improvement of the credit rating of Cyprus are maintaining solid economic growth supported by the government, improved budgetary performance accelerating the reduction of public debt, substantial decline in non-performing exposures (NPEs), to continued deleveraging in the private sector and further backing by European funds (allocation of funds from the European Recovery Fund and further reform of the economy and the public sector).

**S&P Global Ratings**  
 Rating: **BBB**  
 Status: **Positive**  
 Date: **02 September 2022**

**Fitch Ratings**  
 Rating: **BBB**  
 Status: **Stable**  
 Date: **16 June 2023**

**DBRS**  
 Rating: **BBB**  
 Status: **Stable**  
 Date: **31 March 2023**

**MOODY'S**  
 Rating: **Ba1**  
 Status: **Positive**  
 Date: **19 August 2022**



Source: Moody's Corporation, Fitch Ratings, S&P Global Ratings, DBRS Morningstar



# SHIPPING



## International Shipping

The shipping industry is massive, and it is considered "the lifeblood of the worldwide economy".

According to the International Chamber of Shipping (ICS), maritime transport represents 90% of the world trade and is estimated to generate half a trillion dollars' worth of business in freight rates each year, providing the safest, most cost-effective, efficient and clean way of carrying cargo.

Indisputably, maritime transport remains the backbone supporting international trade and globalisation.

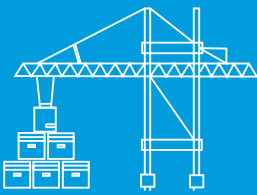
The *Cambridge Dictionary* defines shipping as – The term "shipping," meaning the "act of sending cargo by ship," emerged in the English language in the late fifteenth century. It was not until the 1590s that the term also meant "ships generally or collectively."



Change of Seaborne trade



+3.2 in 2021



Seaborne trade volume 11 billion tons

64% of all goods discharged and

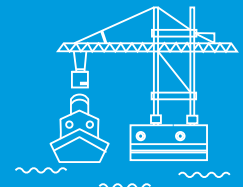


42% of all goods loaded in Asian seaports

World commercial fleet capacity (as of 31 December) 2.2 billion dwt



Registered port calls 4.3 million



## Trends of maritime trade

According to the report "Review of Maritime Transport 2022" by UNCTAD, international maritime trade recovered in 2021 as volumes increased at an estimated rate of 3.2% after declining by almost 4% in 2020 due to the COVID-19 pandemic. Shipments totaled 11.0 billion tons, a bit less than before the pandemic.

Asia continued to be the world's top maritime freight region in 2021, with Asian ports, including those in developed and developing nations, loading about 4.6 billion tons of cargo – or about 42% of all the cargo loaded in ports globally. In 2021, Asian ports received about 7.1 billion tons of cargo, or 64% of all goods discharged globally.

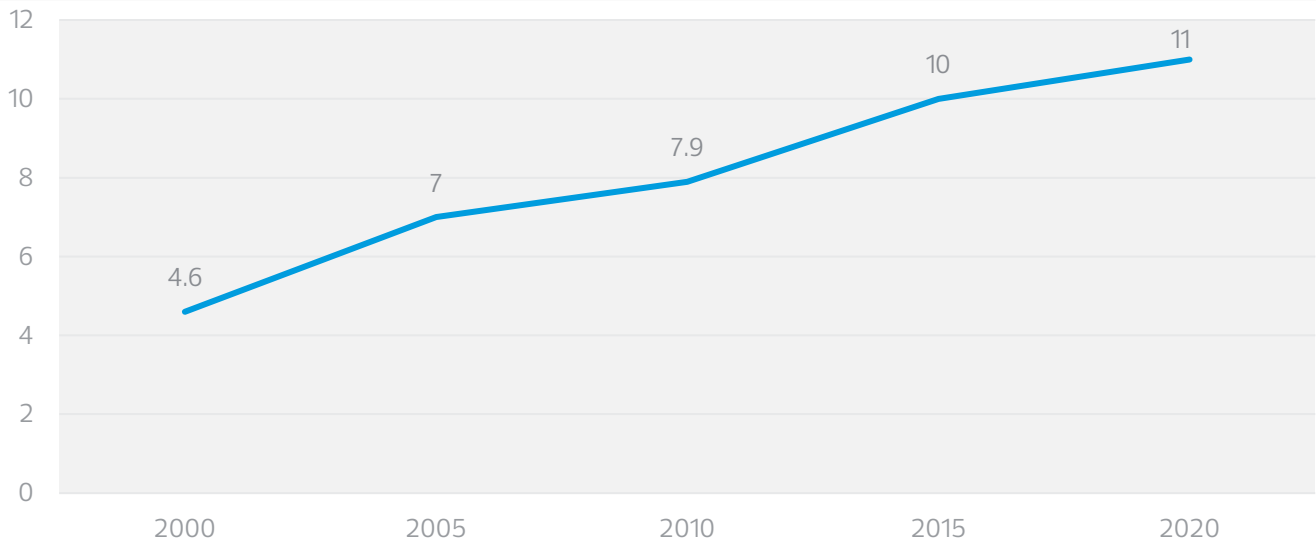
The change in cargo composition is a significant trend in maritime trade. In 1970, tanker cargo accounted for more than half of all seaborne trade. Nearly 75% of loaded goods today, including bulk and containerized cargo, are dry cargo.

2022 was the peak year for maritime traffic in most of the world's largest ports. Demurrage levels and port congestion rose, but operator revenues did, too. However, since the summer of 2022, the majority of the busiest ports have seen a decline in traffic because of the current uncertainty in world trade brought on by inflation-driven price increases, a higher risk of a global economic downturn, or political unrest.

For 2023–2027, it is expected to expand at an annual average of 2.1%, a slower rate than the previous three-decade average of 3.3%.



## Goods loaded worldwide (Billions of tones)

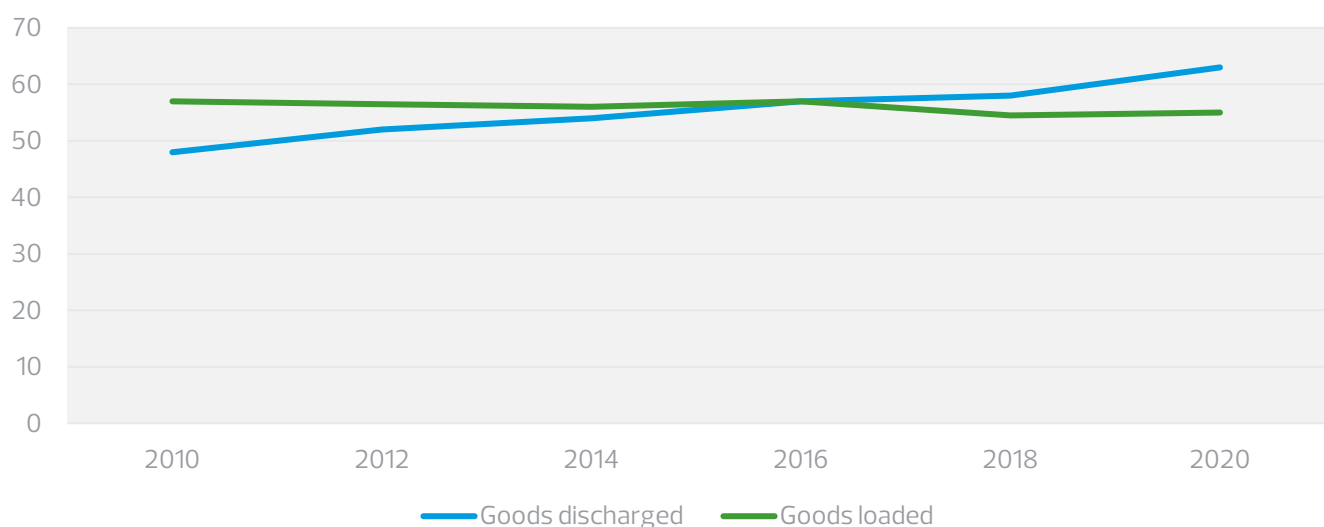


Source: UNCTAD Handbook of Statistics 2022

Developing economies comprised the most considerable portion of global seaborne trade in 2021. They loaded 55% of the total world cargo and discharged 61% of it.

The majority was held by developing economies in Asia. Asia, especially China and the neighbouring East Asian economies, has historically seen the highest concentration of participation in globalized manufacturing and containerized trade. Because of their uneven degrees of integration into global value chains and manufacturing networks, other developing regions did not contribute equally.

## Seaborne Trade of Developing Economies (Percentage of corresponding world tonnage)



Source: UNCTAD Handbook of Statistics 2022



## World fleet development and composition

### World fleet by principal vessel type, 2021 – 2022

Principal types	2021	2022	Percentage change 2022 over 2021
Bulk carriers	913 175 42.75%	946 135 43.02%	3.61%
Oil tankers	619 331 28.99%	629 014 28.60%	1.56%
Container ships	281 825 13.19%	293 398 13.34%	4.11%
Other types of ships	243 949 11.42%	251 742 11.45%	3.19%
Offshore supply	83 805 3.92%	84 281 3.83%	0.57%
Liquefied gas carriers	77 458 3.63%	83 770 3.81%	8.15%
Chemical tankers	49 055 2.30%	49 662 2.26%	1.24%
Other/n.a.	25 443 1.19%	25 690 1.17%	0.97%
Ferries and passenger ships	8 188 0.38%	8 340 0.38%	1.85%
General cargo	77 910 3.65%	78 819 3.58%	1.17%
<b>World total</b>	<b>2 136 190</b>	<b>2 199 107</b>	<b>2.95%</b>

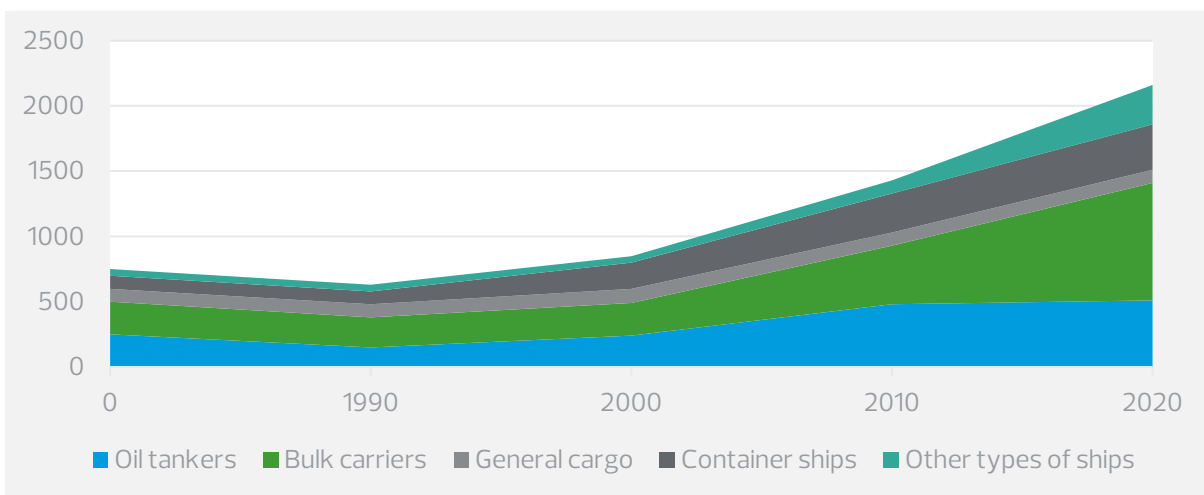
Source: UNCTAD Handbook of Statistics 2022

Early in 2022, there were 102,899 ships and above, equivalent to 2,199,107 thousand dwt in the fleet of merchant vessels. The global commercial fleet increased by 2.95% in dwt terms in 12 months until January 2022. The strong global gas demand helped the fleet of liquefied-gas carriers expand significantly over the same period, by 8.15%.

Except for general cargo carriers, tonnage has significantly increased in recent years across all segments.

Bulk carriers saw a rapid rise. Their percentage of the total carrying tonnage increased from 41% to 43% between 2012 and 2022, while the percentage of oil tankers decreased from 31% to 29% and the percentage of general cargo decreased from 5% to 4%.

### World fleet by principal vessel type (Millions of dead-weight tones)



Source: UNCTAD Handbook of Statistics 2022

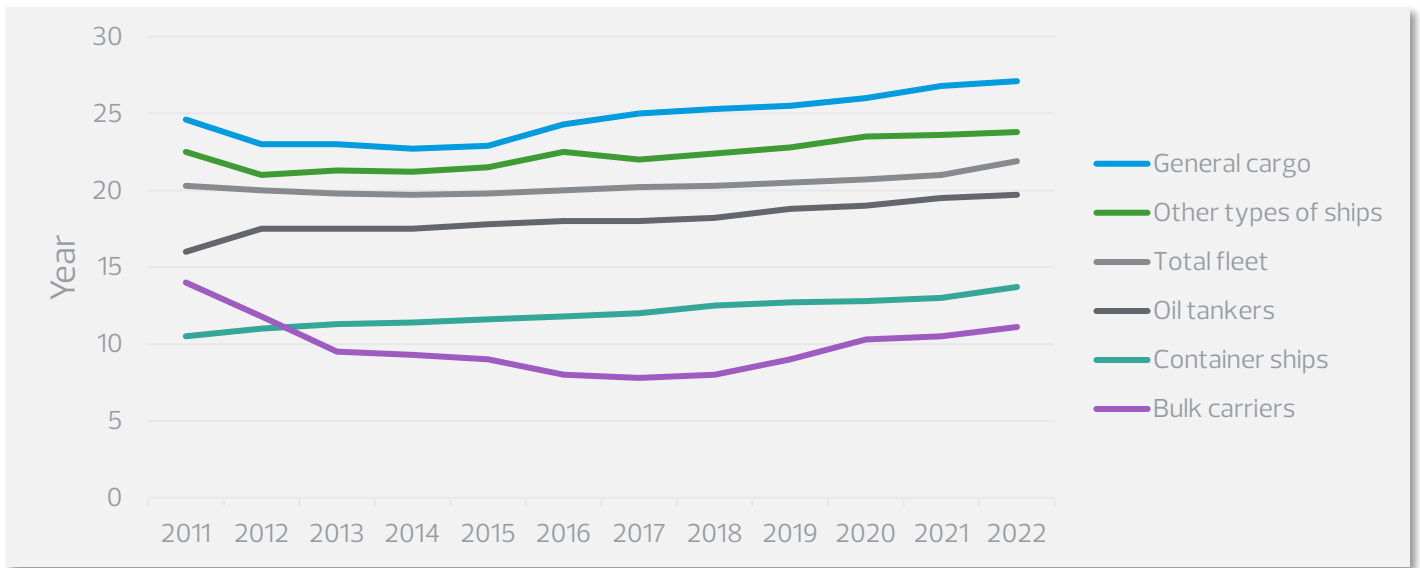


## Age

The entire fleet has aged by 7% since 2011, going from 20.4 to 21.9 years in 2022, except for bulk carriers, which have, on average, been the youngest ships since 2013, followed by container ships (11 years) and all oil tankers (11.2 years). Newer ships are typically bigger.

Due to uncertainty about future fuel and carbon prices, regulations, and technological advancements, shipowners and operators have put off investments and continued operating their older vessels, resulting in the fleet aging.

### Average age of merchant fleet 2011–2022

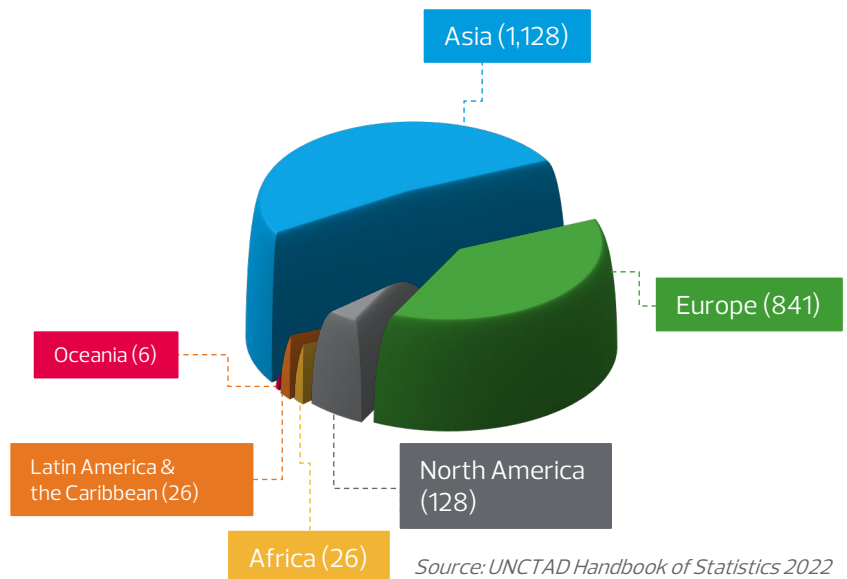


Source: UNCTAD Handbook of Statistics 2022

## Fleet ownership

The top five ship-owning nations made up to 53% of the global fleet tonnage as of January 2022. Greece had an 18% market share, followed by China (13%), Japan (11%), Singapore (6%), and Hong Kong SAR (5%). Asian firms owned half of the world's tonnage. 39% of owners were from Europe, and 6% were from North America. Companies from Latin America, Africa, and the Caribbean each had a share of slightly more than 1%; Oceania had a share of slightly less than 1%.

### Fleet market by region of beneficial ownership, 2022 (Millions of dead-weight tons)



Source: UNCTAD Handbook of Statistics 2022



## Major flags of registration

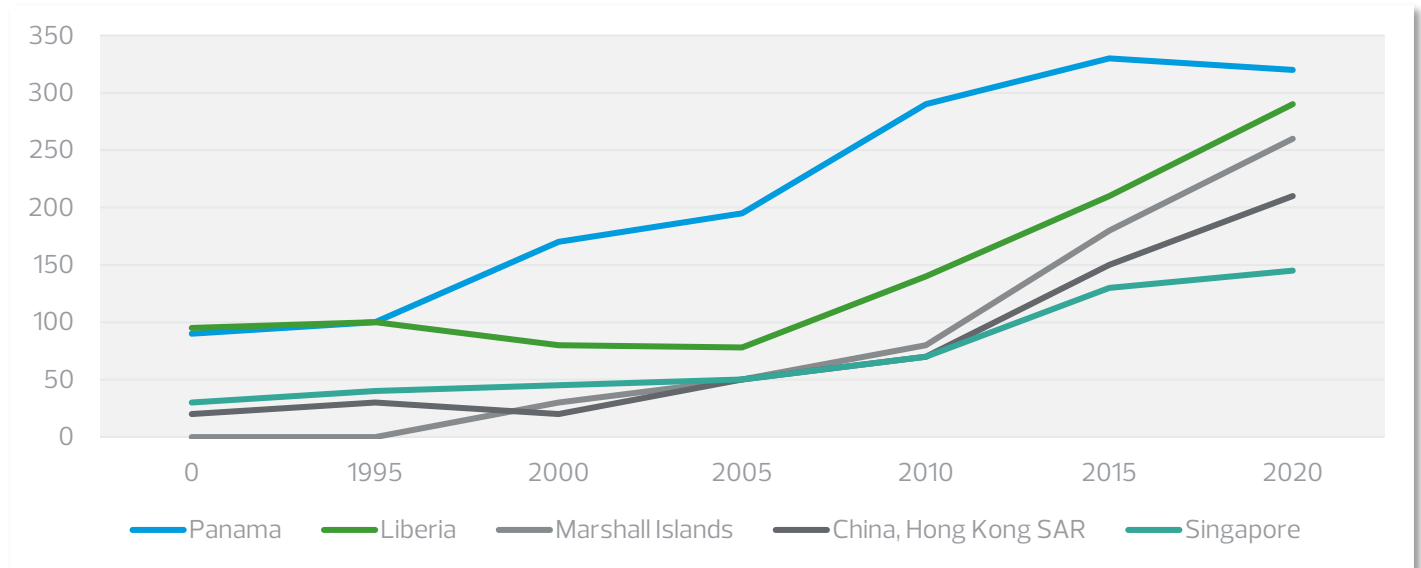
Many commercial ships are registered under a flag other than the owner's country. For instance, at the beginning of 2022, 49% of all ships owned by Japanese entities had their registry in Panama; 24% of Greek entities' ships had their registry in Liberia; and 23% of all ships had their registry in the Marshall Islands.

The top three flags of registration were Liberia (335 million dwt), the Marshall Islands (290 million dwt), and Panama (350 million dwt). The Marshall Islands and Liberia have caught up with Panama regarding register size over the past ten years, with Liberia's growth exploding since 2018.

Vietnam registered the highest increases in dead – weight tonnage among the top registries. The Bahamas flag experienced the most significant decrease, 1.5%, while the Liberia flag had the highest increase in fleet value, 2.2%. Iran, Israel and Madeira were the countries with the immense percentage increases in global fleet value between 2019 and 2022.

The Cyprus Registry is the world's eleventh largest merchant fleet.

## Vessels capacity in top five registries (Millions of dead-weight tons)



Source: UNCTAD Handbook of Statistics 2022

## Shipbuilding and recycling

In 2021, China, Japan, and the Republic of Korea accounted for the majority of the world's shipbuilding. These three countries accounted for 94% of shipbuilding in terms of gross tonnage. Bangladesh and Pakistan accounted for 72% of the ship recycling, with India contributing another 18%.





## Leading flags of registration by dead-weight tonnage, 2022

Flag of registration	Number of vessels	Share of world vessel total	Dead-weight tonnage (thousands dead-weight tons)	Share of total world dead-weight tonnage	Cumulated share of dead-weight tonnage	Average vessel size (dead-weight tonnage)	Growth in dead-weight tonnage 2021 to 2022
1 Panama	8,025	7.8%	350,401	15.9%	15.9%	43,664	1.7
2 Liberia	4,311	4.2%	335,114	15.2%	31.2%	77,735	11.9
3 Marshall Islands	4,042	3.9%	289,781	13.2%	44.3%	71,693	5.7
4 Hong Kong, China	2,661	2.6%	207,816	9.5%	53.8%	78,097	1.4
5 Singapore	3,227	3.1%	131,369	6.0%	59.8%	40,709	-3.6
6 China	7,309	7.1%	114,952	5.2%	65.0%	15,727	6.0
7 Malta	2,047	2.0%	114,910	5.2%	70.2%	56,136	-0.9
8 Bahamas	1,307	1.3%	72,998	3.3%	73.5%	55,851	-1.8
9 Greece	1,234	1.2%	61,817	2.8%	76.4%	50,095	-4.3
10 Japan	5,590	5.4%	40,263	1.8%	78.2%	7,203	2.4
<b>11 Cyprus</b>	<b>1,030</b>	<b>1.0%</b>	<b>33,461</b>	<b>1.5%</b>	<b>79.7%</b>	<b>32,487</b>	<b>-1.7</b>
12 Indonesia	11,015	10.7%	29,332	1.3%	81.0%	2,663	1.1
13 Danish Int'l Register	612	0.6%	26,061	1.2%	82.2%	42,583	5.6
14 Madeira	672	0.7%	25,863	1.2%	83.4%	38,486	13.7
15 Norwegian Int'l Register	695	0.7%	21,300	1.0%	84.4%	30,648	-3.1
16 Isle of Man	291	0.3%	20,661	0.9%	85.3%	71,002	-6.1
17 Iran (Islamic Republic of)	942	0.9%	20,195	0.9%	86.2%	21,439	-2.6
18 India	1,810	1.8%	16,934	0.8%	87.0%	9,356	-1.1
19 Republic of Korea	2,063	2.0%	15,635	0.7%	87.7%	7,579	-0.6
20 Saudi Arabia	413	0.4%	13,887	0.6%	88.3%	33,625	1.6
21 United States of America including Puerto Rico	3,636	3.5%	12,526	0.6%	88.9%	6,445	-0.1
22 Viet Nam	1,975	1.9%	12,331	0.6%	89.5%	6,244	19.4
23 United Kingdom excl. Channel Islands and Isle of Man	881	0.9%	11,292	0.5%	90.0%	12,817	-3.8
24 Russian Federation	2,917	2.8%	11,039	0.5%	90.5%	3,784	1.1
25 Italy	1,266	1.2%	9,969	0.5%	90.9%	7,875	-11.4



## Leading flags of registration by dead-weight tonnage, 2022

Flag of registration	Number of vessels	Share of world vessel total	Dead-weight tonnage (thousands dead-weight tons)	Share of total world dead-weight tonnage	Cumulated share of dead-weight tonnage	Average vessel size (dead-weight tonnage)	Growth in dead-weight tonnage 2021 to 2022
26 Belgium	199	0.2%	9,791	0.4%	91.4%	49,200	1.6
27 Malaysia	1,790	1.7%	9,269	0.4%	91.8%	5,178	-9.6
28 Bermuda	135	0.1%	7,888	0.4%	92.2%	58,430	-2.0
29 Germany	591	0.6%	7,096	0.3%	92.5%	12,007	-9.8
30 China, Taiwan Province	450	0.4%	6,755	0.3%	92.8%	15,011	-5.4
31 Netherlands	1,175	1.1%	6,661	0.3%	93.1%	5,669	-2.2
32 Türkiye	1,237	1.2%	6,257	0.3%	93.4%	5,059	-2.3
33 Antigua and Barbuda	638	0.6%	6,219	0.3%	93.7%	9,747	-2.8
34 Philippines	1,853	1.8%	6,201	0.3%	93.9%	3,346	-1.3
35 Cayman Islands	139	0.1%	6,070	0.3%	94.2%	43,671	-11.8
<b>Top 35</b>	<b>78,178</b>	<b>76%</b>	<b>2,072,117</b>	<b>94.2%</b>	<b>94.2%</b>	<b>37,001</b>	<b>5.5</b>
<b>World total</b>	<b>102,899</b>	<b>100%</b>	<b>2,199,107</b>	<b>100%</b>	<b>100%</b>	<b>21,372</b>	<b>2.9</b>

Source: UNCTAD

## Shipping as a green mode of transportation

Shipping can contribute to lowering CO2 emissions rather than being a source.

Compared to other modes of transportation and other emission sources like power plants, shipping produces significantly fewer emissions per tonne/km than any other method of transportation. However, in the recent years it generated 2.9% of global CO2 emissions. Despite a drop in activity in 2020 due to the coronavirus pandemic, shipping is growing, fuelled by rising demand for primary resources and container transport. Goals have been set to reduce average carbon intensity (CO2 per tonne-mile) by at least 40% by 2030 and by 70% in 2050, as well as to cut total emissions by at least 50% by 2050 (compared to 2008) and phase them out as soon as possible.

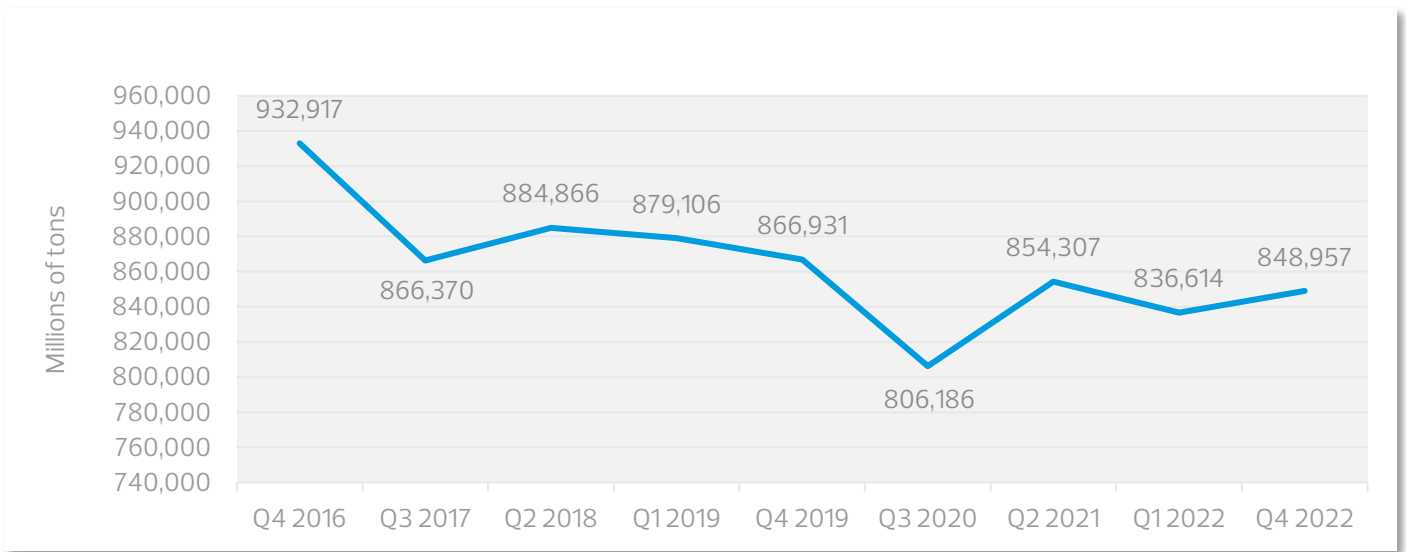
## Shipping in Europe

For centuries, maritime shipping has been an essential form of transportation for European nations. The EU founding and subsequent enlargements have not altered this fact. Instead, one of the most significant trade channels for EU Member States continues to be shipping.

The majority of freight exchanges between EU member states – nearly 40% – take place on ships. In European ports, 400 million passengers board and disembark each year. Moreover, 849 million tons of goods were handled in the main EU ports in the fourth quarter of 2022. Beneficial owners from Europe accounted for 39% of world fleet tonnage with 841m of dead-weight-tons.



## Gross weight of seaborne goods handled in EU main ports (2016 Q4 – 2022 Q4)



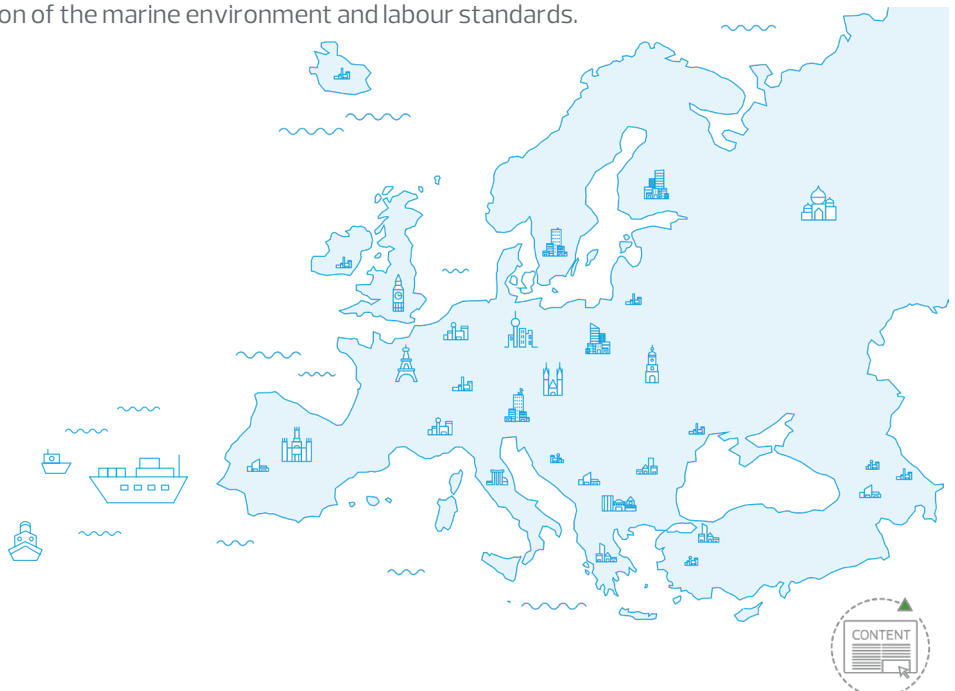
Source: Eurostat

The EU fleet is substantial and quite diverse. The ships registered under the flag of an EU Member State represented approximately 16.2% of the total world fleet measured in dead weight tonnage (DWT).

In terms of absolute numbers, the EU Member State-flagged fleet contains nearly 40% of the world's RoPax fleet (vessels that can carry cars and passengers), 33% of all cruise vessels, 29% of passenger ships and 20% of container ships.

With its 2004 EU State Aid Guidelines for marine transport, the EU allowed Member States to implement a competitive fiscal and legal framework for shipping businesses.

The EU-controlled fleet has expanded and maintained its competitiveness due to state aid policies, most notably the tonnage tax. To strengthen the stability of the global system for seaborne trade, the European Commission maintains constant communication with all of the EU's trading and shipping partners worldwide, including the USA, China, India, and Japan. It also fully supports the WTO's efforts to reach a multilateral agreement at the global level, which is beneficial to all countries and participates in international organizations' work, mainly concerning matters of safety, preservation of the marine environment and labour standards.



# CYPRUS SHIPPING



At the eastern edge of Europe, close to the Suez Canal, and at the hub of busy air and sea routes connecting Europe, Asia, and Africa, Cyprus has one of the largest registered merchant fleets in the world, a well-established shipping and ship management centre.

As the Deputy Ministry of Cyprus has concluded in the article published in Cyprus Mail on 6<sup>th</sup> of June 2023, "Cyprus is one of the few shipping centres worldwide, which combines an international registry of recognised prestige and quality, as well as a shipping cluster with a wide range of shipping and related services, management, fuelling, technology, shipping agents and many other related services,"

## Shipping Cluster

Cyprus has evolved into a modern, efficient and integrated shipping complex combining an internationally recognized registry of high standards and a developed on-site shipping industry, active in a wide range of shipping activities.

The companies that form Cyprus' maritime complex are primarily those that offer ship management services, shipownership services, and ship chartering services, as well as those engaged in a broader range of activities related to shipping, including those in the fields of marine technology, telecommunications, fuel supply, the provision of equipment, specialized professional services, maritime transport insurance, brokerage services, etc.

One of the world's major hubs for ship management is Cyprus. With the establishment of maritime academies, finance from Cypriot banks to shipping companies, protection and indemnity insurance company establishment in Cyprus (Protection and Indemnity Club – P&I Club), as well as the establishment of the Cyprus Navy and Maritime Institute (CMMI), the maritime complex of Cyprus has significantly grown.

## Cyprus Flag | One of the most competitive flags

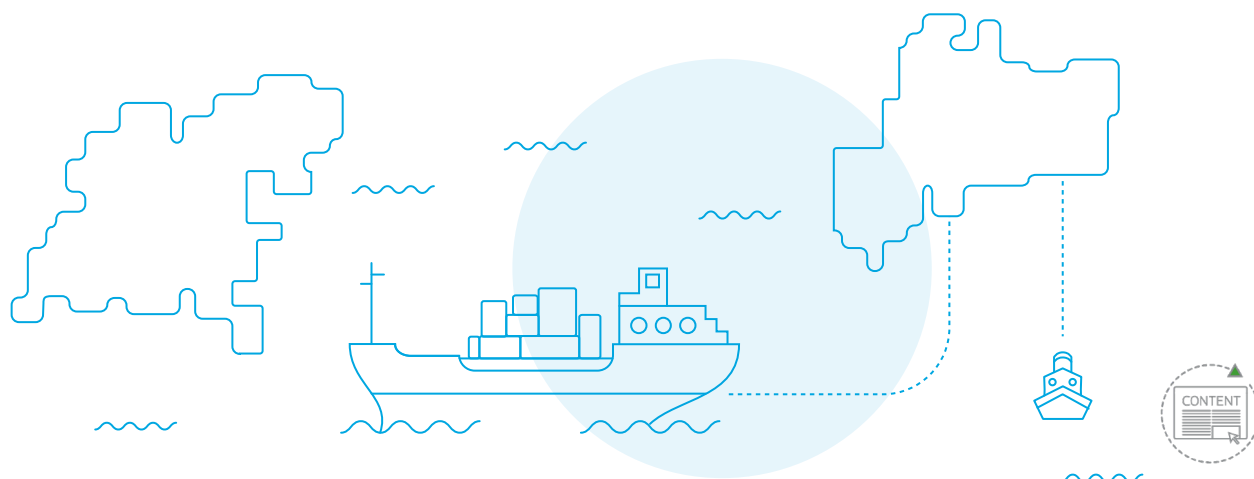
The Cyprus flag is amongst the top-quality sovereign flags, which appropriately adheres to all security and standards as mentioned in the Paris and Tokyo MoUs. More than 150 dedicated maritime specialists at the Shipping Deputy Ministry offer tailored, 24/7 service from offices in 7 different countries.

The Cypriot merchant fleet has shown steady growth in recent decades. The upgrading of maritime services, the quality service, the high levels of ship safety, the specialised knowledge of human resources as well as the strategically important bilateral agreements that have been concluded between Cyprus and other states have ranked the Cypriot flag as one of the most qualitative and most competitive flags in the shipping sector.

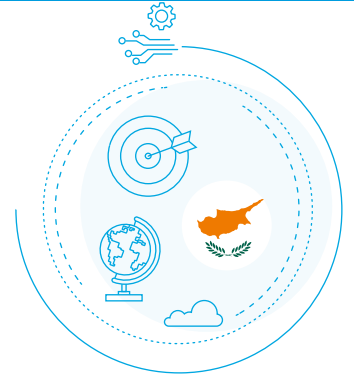
Following all safety and security standards established by international maritime and other organizations, the Cypriot flag is among the flags of the countries included in the five "White List" of the Paris and Tokyo Memoranda of Understanding for ship controls. The Cypriot registry offers competitive advantages, an attractive taxation system, full protection for financiers and mortgage lenders and exemption from income tax on the earnings of seafarers serving on Cypriot ships.

Cyprus has signed bilateral cooperation agreements in merchant shipping with more than 25 nations, which give Cypriot ships preferential treatment in foreign ports and give seafarers who work on Cypriot ships specific employment terms and a mechanism for resolving labour disputes that benefits both shipowners and seafarers. Cyprus is one of the nations with significant influence in the shipping industry.

Cyprus has instituted itself as an established flag and base for international shipping operations while providing a favourable regime for foreign investment.



## Advantages of the Cyprus Flag



Competitive Ship Registration Fees

Synopsis of more than 25 bilateral agreements between Cyprus and other countries for merchant shipping matters

Reliable shipping registry

Trustiness from international financial institutions in the framework of the financing procedure and the mortgage of the ships

Competitive institutional framework in relation to investment capital that offers alternative financing solutions to the shipping companies

Absence of restrictions regarding the nationality of crews and officers

Strong presence in international organisations related to shipping matters (IMO, ILO) and member of the EU

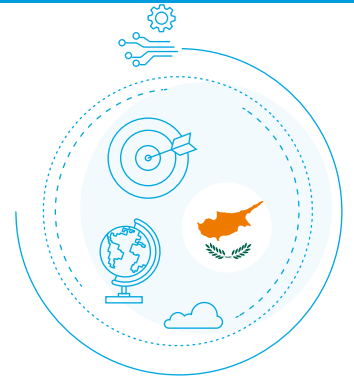
Cyprus is included in the 'White List' of Paris and Tokio's Memorandums

Smart and flexible ships' tonnage taxation system which is approved by the EU

Provision of high-quality shipping services from the public authorities on a 24-hour basis, 7 days per week



## Advantages of the Cyprus Flag (cont.)



Online services for the registration of the seafarers and for the visa of the seamanship certificates

Shipping offices in Piraeus, London, Hamburg, Rotterdam, New York and Brussels

No tax on profit from the operation or management of a vessel registered under the Cyprus flag or shares in a ship owning company

No capital gains tax on the sale of a Cypriot vessel or transfer of shares in a Cypriot ship owning company

A liberal foreign direct investment programme (which allows for 100% foreign involvement in many sectors)

No exchange control

Over 60 double taxation treaties in effect, with more under negotiation

No estate duty on inheritance of shares in a ship owning company

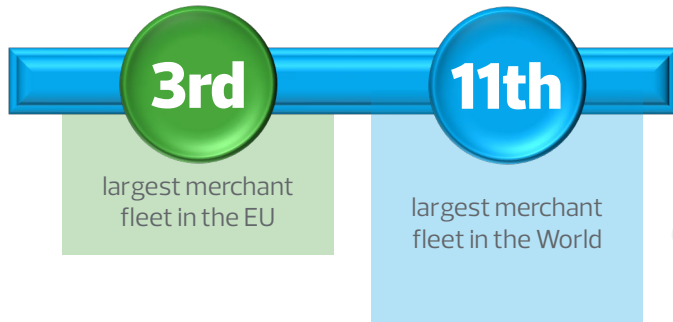
No income tax on emoluments of officers and crew

No stamp duty on ship mortgage deeds



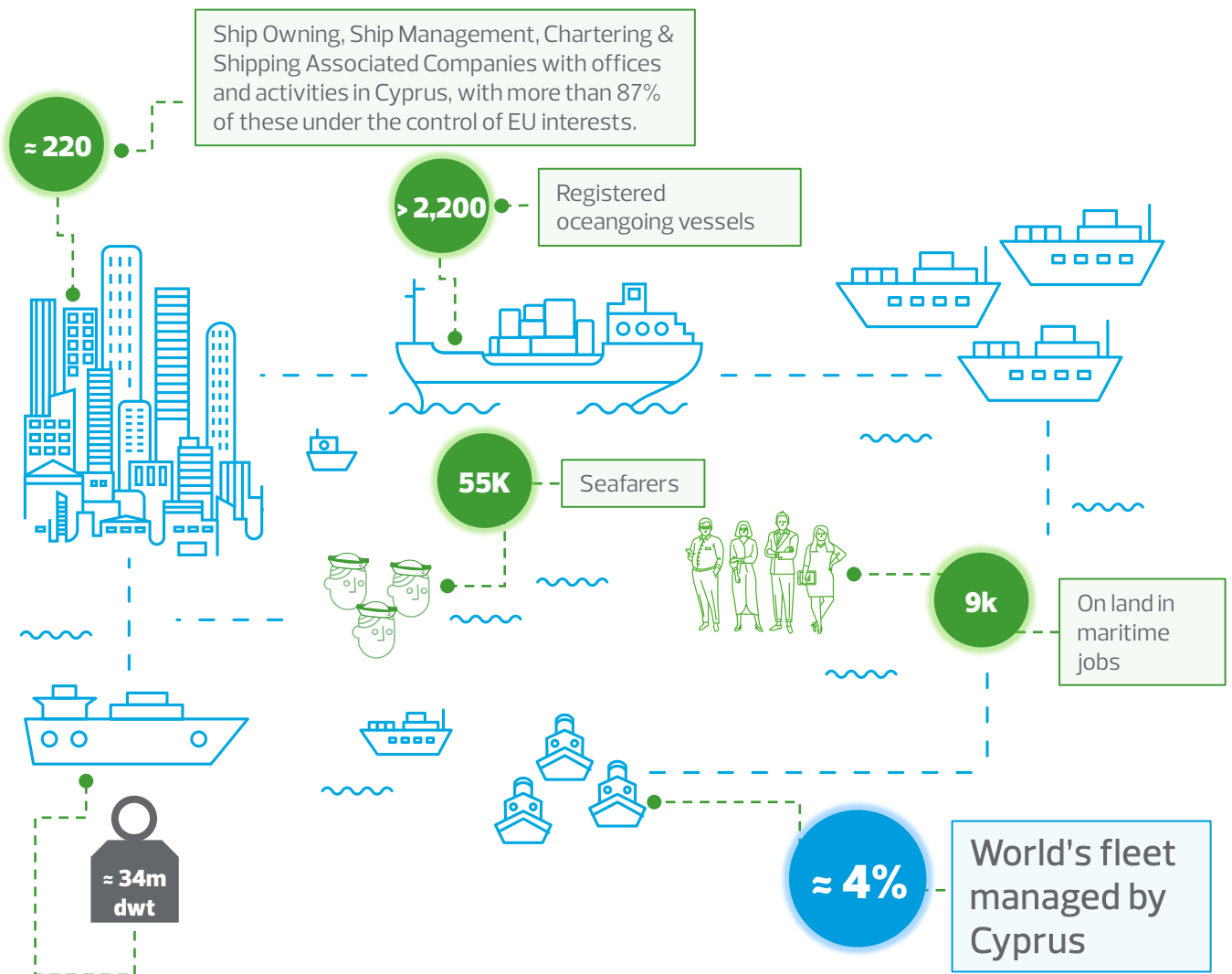
## Classification of Cypriot Registry

Interestingly, the size of the Cypriot fleet was ranked 32<sup>nd</sup> worldwide in 1981. Still, today, merchant shipping in Cyprus is included among the largest ship management centres in the world, placing the island today as a global naval power being classified as:



The Register of Cyprus Ships is also one of only two open registries within the EU. It allows non-Cypriot citizens to register their ships under the Cyprus flag, provided that they fulfil the specific conditions of ownership that the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws of 1963, as amended, require. Cyprus also continuously upgrades its services in order to offer a high standard of support to its flag users and maintains its status of a "Flag of Progress and Quality".

Cyprus maritime capital is Limassol, home to some of the most influential names in shipping today, managing around 20% of the world's third-party managed fleet.



## The Evolution of Cyprus Merchant Shipping

In Cyprus, shipping has a long history that dates back hundreds of years.

Due to its strategic location near the Suez Canal and at the intersection of three continents—Europe, Asia, and Africa—the island state has historically benefited from merchant shipping as a significant industry.

In addition to the island's advantageous location, other factors contributing to its allure include the incentives created and maintained since the passage of the shipping legislation in 1963. The Law on Vessel Registration, Sales, and Mortgages has been in effect since 1963, and the Republic of Cyprus was founded in 1960. The shipping industry in Cyprus has expanded significantly since that time.

**The shipping industry in Cyprus is drawing quality tonnage and an increasing number of top-tier international shipping companies due to its strength, size, and experience.**

The Cyprus Register has grown significantly due to numerous bilateral agreements, double taxation treaties, and the tax benefits provided to both domestic and foreign shipowners in terms of the total number of registered vessels and their combined gross tonnage.

Good international relations have been crucial to Cyprus' development as a shipping hub. Cyprus has the distinct advantage of being a member of the United Nations, the Council of Europe, the Commonwealth, the Conference on Security and Cooperation in Europe, and the Group of Non-Aligned Countries, in addition to its positive reputation as a global financial hub. The 2004 EU membership of Cyprus opened up new opportunities for the shipping industry to continue developing.

One of two "Open Registers" in the EU, the Cyprus Merchant Shipping Register is thought to account for 15% of the EU's merchant "fleet." The maritime court, the maritime chamber of commerce, and the registry office are all part of the island's established maritime infrastructure.

The EU, which is particularly conscious of the level of ship safety, is particularly interested in the commercial shipping sector.

**The ongoing government shipping policy improvements aim to raise safety standards, provide better living and working conditions for seafarers aboard Cypriot ships, and strengthen Cyprus's standing as a maritime nation and a maritime power with high standards.**

The fact that the Cypriot flag is on the Paris Memorandum of Understanding's White List illustrates the government's dedication to security and Cyprus's development as a reputable international shipping hub.

Currently, a sizeable portion of the ships in the Cypriot registry are under the management of specialized ship management firms recognized for their knowledge in this area. This encourages close relationship between the maritime industry and the Cypriot government.

**Cyprus is justifiably regarded as one of the top hubs for ship management services and ship ownership on a global scale.**

**The maritime industry has long been one of the nation's most successful export services. It is not surprising that some of the biggest names in global shipping, choose to locate their corporate offices on the island and conduct their international operations from Cyprus.**

### Turkish Illegal Restrictive Measures against Cyprus and EU Shipping

The first shipping hub was created in the port of Famagusta, but since the Turkish invasion of 1974, the port has been occupied and is currently declared illegal.

Since 1987, Turkey has implemented restrictive measures that are solely focused on prohibiting Cyprus-flagged ships from making port calls in any of its ports. In 1997, Turkey issued new directives expanding these restrictions to include foreign-flagged ships that are sailing directly to Turkish ports from any Cypriot port that is effectively under the control of the Republic of Cyprus, as well as ships of any nationality that is connected to Cyprus in terms of ownership or, occasionally, ship management.

**The dimension of this illegal embargo applies, therefore, also to EU flag ships and thus has become an "EU Shipping Problem".**

The Turkish Embargo may not only adversely affect the growth of the Cyprus registry, but also the provisions constitute a distortion of the principle of fair and free competition in shipping trade with the EU, negatively affecting the merchant fleets of EU Member States and causing substantial increases in transportation costs. Moreover, the embargo restrains the region's economic development and cooperation, within the framework of the Euro Mediterranean Partnership.

The ongoing efforts of the Cyprus government to solve the 'Cyprus problem' include the 'lifting of the Turkish embargo' as part of the negotiation process.





## Types of Shipping Activities



### Shipowners

Cypriot businesses own the majority of vessels, having a Cyprus register with a wide range of foreign interests.



### Boat Charter

A Charter boat is a boat which can be rented for use in a variety of activities. Full service charters include the use of the boat along with crew and supplies like provisions, while bare boat or bare boat charters include just the boat, with the customers crewing and supplying the boat themselves.



### Headquarters of Ship management companies

Management companies find Cyprus increasingly attractive as a base for managing vessels under various flags. These companies offer integrated management services to shipowners worldwide and deal with chartering, staffing and related activities. For encouraging the establishment of ship management companies in Cyprus, the existing tax legislation provides such companies and their foreign employees with various tax advantages and other incentives.

## Dependence of the Sector

The sector's behaviour highly depends on the oil price fluctuations and the geopolitical environment inclinations. Therefore, shipping companies have to deal with various challenges, such as freight rate variations, environmental matters, geopolitical restrictions, transportation costs, port charges, crewing costs, logistic procedures and many more.

## Revenue – Contribution to the Cyprus Economy

### 4<sup>th</sup> Consecutive increase in Ship-management companies' contribution to Cyprus' GDP

Shipping continues to be one of the main pillars of the Cypriot economy, as it has consistently contributed for decades to the Cyprus economy in various ways, simultaneously projecting the country's profile internationally.

More than **€1 billion** is added to the nation's economy each year by the maritime sector. According to the latest statistics, the income from shipping activities in Cyprus has risen to more than €1.2 billion in 2022, which is a vital amount given the economic instability and disruption of the global supply chain. In particular, the income from Ship management activities has indicated an increase for a fourth (4<sup>th</sup>) consecutive period. The income holds more than 7% of GDP, a far higher percentage than other countries engaged in merchant shipping.



According to the most recent ship management report by the Central Bank of Cyprus (CBC), ship management revenues continued to improve in the second half of 2022, reaching €648 million.

The data demonstrates that the industry is still recovering from the Covid-19 pandemic's interruption, with revenue rising by 12.9% in the second half of 2022 compared to the first half.

Regarding ship management services, crew management maintained its lead with 49% of the total, while full management came in second with 47%.

The research also revealed that industry expenses were at €629 million in the second half of 2022, an increase of 18.2% over the previous six months and nearly 38% over the second half of 2021. The CBC noted that the sector "shows a relatively stable expense structure".

Additionally, 64% of spending in the second half of 2022 went toward paying for the crew, 31% went toward ship management costs, and 5% went toward administrative costs. 47% of the money spent on crews went to crews from outside the EU, while only 17% went to crews from EU nations.

Another significant contribution is the fact that the Cyprus shipping industry has given Cypriots numerous work options. Cyprus Shipping employs approximately 9,000 people in gainful employment on land, 2% of the total population. Around 55,000 seafarers from various nationalities work on ships that are owned or operated by Cyprus-based shipping companies and are members of the Cyprus Shipping Chamber. At the same time, the government constantly underlines the industry's potential to offer additional employment opportunities to Greeks for a career at sea within an internationally competitive framework.

These notable results demonstrate once more the consistent support of Cyprus Shipping, which continues to be one of the Cypriot economy's primary "blood donors" even in times of crisis and with real potential for future growth.



# OFFICIAL SHIPPING OFFICES, BODIES & ASSOCIATIONS



## Department of Merchant Shipping

In 1977, the Department of Merchant Shipping was created and began operating as a separate organization inside the Ministry of Communications and Works. A new phase in Cyprus' development in this significant industry began with the foundation of the Department of Merchant Shipping. The registration of ships became a small part of a larger attempt to build a reliable infrastructure that would support ship management and other shipping-related activities in Cyprus in addition to the registration of ships. The Cyprus Registry has grown extraordinarily over the past 30 years.

The Department of Merchant Shipping is in charge of developing maritime activities such as administration and enforcement of the Merchant Shipping Laws, ship registration, control of shipping and implementation of international conventions ratified by the Cyprus Government, investigation of accidents involving Cyprus ships, seafarers working on those ships, or foreign ships sailing within Cyprus' territorial waters, and resolution of labour disputes on those ships.

## The Shipping Deputy Ministry

In accordance with the "Establishment of a Shipping Deputy Ministry and Appointment of a Shipping Deputy Minister to the President and for Matters Connected Therewith Law of 2017", the Shipping Deputy Ministry was founded on March 1, 2018.

Because the Shipping Deputy Ministry is an autonomous deputy ministry that is solely focused on Cyprus' maritime industry and has strategically placed overseas maritime offices in Piraeus, Brussels, Rotterdam, Hamburg, London, and New York City that provide services to seafarers and Cypriot ships, the date of the SDM's establishment is commemorated as a historic day for Cyprus shipping. Since its founding, the SDM has evolved in terms of internal restructuring with the goal of making Cyprus' maritime administration even more contemporary, effective, and industry-focused and, as a result, even more business-friendly to shipping companies with ties to Cyprus. The SDM has its headquarters in Limassol, Cyprus's centre of commerce and finance.

Its goals are to protect and develop Cypriot shipping as a safe, socially responsible, and sustainable sector, to strengthen the national economy, and to create jobs, specialisation, and expertise in the industry. Moreover, the SDM has been putting into practice a comprehensive "Blue Growth" strategy that emphasises digitalisation, the promotion of blue careers and shipping education, maritime innovation, and the development of ethical environmental policies and solutions in addition to improving and modernising the shipping regulatory framework and procedures.

Initiatives in research and innovation have the SDM's full support and encouragement. By bringing together the public, private, and academic sectors to develop innovative systems that provide solutions in response to the industry's transition to a greener, more digital economy, organisations like the Cyprus Marine and Maritime Institute and the Cyprus Foundation of the Sea serve as examples of how to support technological innovation. A steady supply of top-tier human talent into the Cypriot shipping market is further ensured by the expansion of the SDM's grants and scholarships, the inclusion of a maritime focus in secondary education, and the steady expansion of the three maritime academies operating across the country with about 300 students.

The following, among others, are the duties of the Shipping Deputy Ministry:

- a. developing a comprehensive national shipping plan to support the expansion of Cyprus's shipping industry and Cyprus Register of Ships,
- b. through the relevant horizontal policies, the coordination and implementation of the national shipping plan,
- c. the ongoing updating and application of shipping legislation in all areas falling under the purview of the Deputy Ministry, including the registration of ships in the Cyprus Register of Ships and the granting of pertinent certificates and licenses,



- d. the formulation and execution of incentives, as well as the promotion and support of investments in shipping,
- e. the creation and execution of a promotion plan, as well as associated campaigns and activities, both domestically and internationally,
- f. the creation of studies, market research, analysis of current shipping trends, statistical data management, and performance evaluation of projects and programs pertinent to the shipping industry,
- g. the improvement and modernisation of the Deputy Ministry's organisational structure and operating procedures, the ongoing improvement of the services offered, and the encouragement of innovation in the shipping industry;
- h. the oversight and regulation of the shipping industry, collaboration with other oversight entities, and the supply of assistance and knowledge about shipping regulations to shipping businesses,
- i. the creation and submission of reform ideas, including, for example, the streamlining of processes for luring shipping investment, boosting competitiveness, and expanding the shipping industry.

## The Cyprus Ports Authority

It is a public, autonomous organisation in charge of running and managing the nation's ports. All of Cyprus' port areas fall under its purview, and it is also responsible for owning and operating the majority of the island's port infrastructure.

## Cyprus Shipping Chamber

It is the trade organisation for the shipping sector in Cyprus and consists of approximately 200 of the largest ship owning, ship management, chartering, and shipping-related businesses in the country. Through its close ties to the Cyprus Government and Parliament and its membership in various regional and international shipowner associations, the Chamber's primary goal is to advance the interests of Cyprus Shipping and enhance the reputation of the Cyprus Flag, thereby advancing and protecting the interests of its Members on both a national and an international level.

The Cyprus Shipping Chamber operates as a roving ambassador of Cyprus Shipping abroad through its membership and active participation in:

- The International Chamber of Shipping (ICS)
- The European Community Shipowners' Associations (ECSA)
- The Baltic and International Maritime Council (BIMCO)
- The International Association of Independent Tanker Owners (INTERTANKO).

Members of the Chamber also regularly participate in many international meetings, including:

- The International Labour Organisation (ILO)
- The International Maritime Organisation (IMO)
- The EU meetings in Geneva, London and Brussels and numerous Committees, where the Chamber functions as a consultant to the Government representatives as part of the Cyprus Shipping delegation or as the representative of the Cyprus Shipping Industry

## The Cyprus Shipping Association (CSA)

The official organisation representing the shipping agent profession on the island was founded in 1945. In its interactions with the government, the legislature, the port authorities, the Department of Customs, the business community, the trade unions, and any other parties with an interest, the Association also serves as a point of contact, negotiator, and spokesman for its members.

The Association works together with other national and international professional organisations to achieve shared goals. It belongs to the following organisations on a global scale:

- the Federation of National Associations of Ship Brokers and Agents (FONASBA),
- the Baltic and International Maritime Council (BIMCO)
- the International Cargo Handling Coordination Association (ICHCA)

The Association also acts as a hub for gathering, analysing, and disseminating information on regional and global developments pertinent to the profession and the port industry in general. It also offers its members a forum for the exchange of professional experiences of shared interest.



## Cyprus Union of Shipowners

Cyprus Union of Shipowners is the main group that speaks for the global shipping industry that operates ships flying the Cyprus flag. The vast majority of the ships flying the Cyprus flag have been registered as members of the Cyprus Union of Shipowners over the years. It speaks for its members' interests in the UK, Cyprus, Greece, and other European nations.

The Cyprus Branch and the Cyprus Shipping Chamber (CSC) work closely together on educational issues. Since September 2000, the Cyprus Branch has offered the "Understanding Shipping" course in collaboration with the CSC, and as of the end of 2021, 1004 students have successfully completed the program. The Cyprus Branch fully oversees the "Understanding Shipping" course, and each tutor is a branch member. In Cyprus, CSC firm members employ more than 85% of the shipping personnel, providing the necessary recognition to the Institute qualification.

## The Cyprus Marine Environment Protection Association

It has been established on the initiative of the island's commercial community and with the backing of its international shipping community. CYMEPA is a self-governing, nonprofit group. Its main goal is to support and actively encourage initiatives to prevent all types of marine pollution effectively.

The Association also promotes safety and the preservation of the marine environment among executives and seafarers. Additionally, CYMEPA spearheads environmental initiatives and runs significant public awareness campaigns focusing on schoolchildren's environmental education. In ratifying and putting into effect international treaties connected to the conservation of the marine environment, CYMEPA supports and helps the Government of Cyprus.

## The Institute of Chartered Shipbrokers

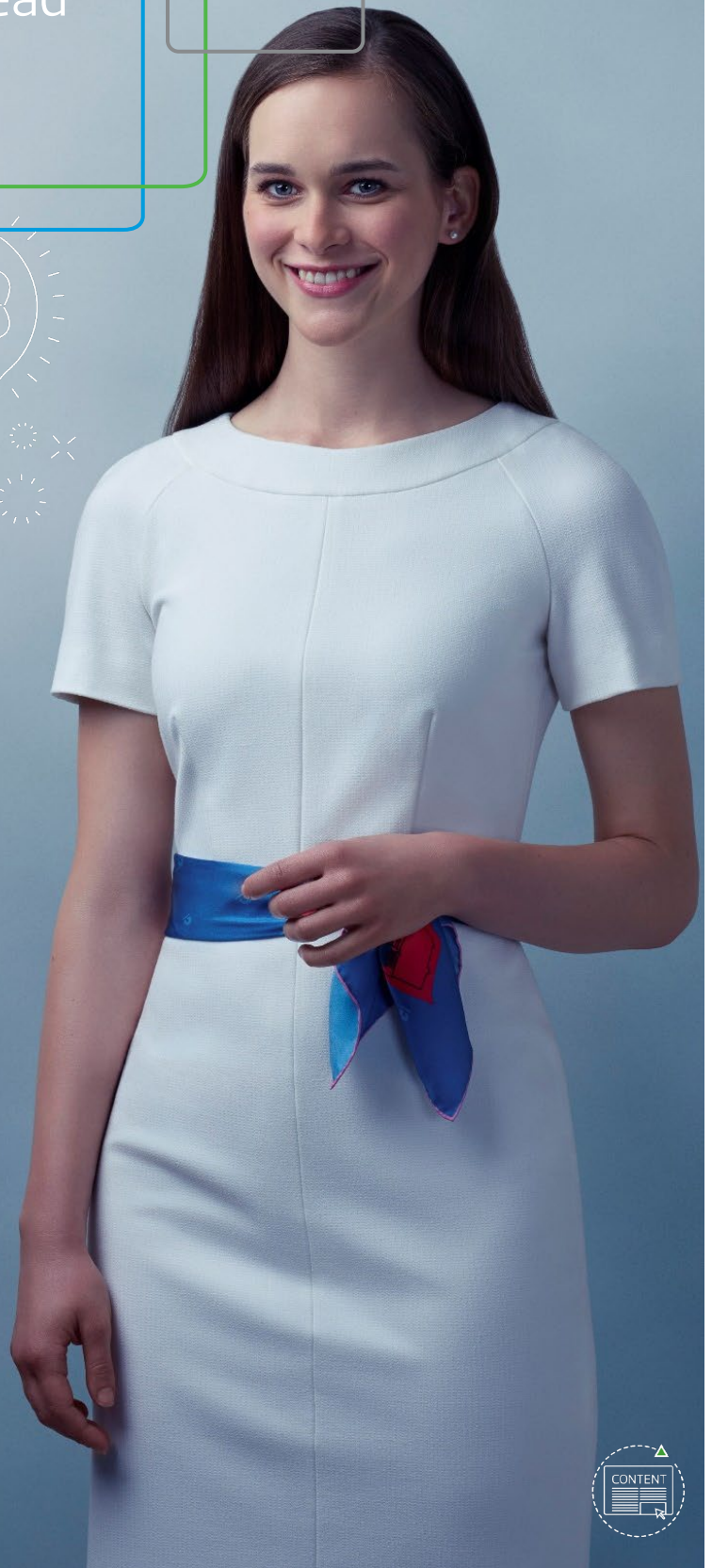
Long before the 1960s, Cypriots were Institute members. It was decided among the Members that it was time to establish a Branch of the Institute in Cyprus due to the development of shipping and shipping-related industries in Cyprus, which led to an increase in the number of Members residing on the island. The Branch was officially established at its first meeting on March 7, 1996.

## WISTA Cyprus

It was established in 2012 after taking part in WISTA International events in 2010 in an unauthorised capacity. Today, it has more than 130 members. WISTA is a global networking organisation with the goal of luring and assisting women into executive positions in the marine, commerce, and logistics industries.



Helping you navigate what's  
in your way, so you can lead  
the way.



# CYPRUS PORTS



A hundred different lines regularly service Cyprus, providing a broad, regular, and frequent connection between the island and the rest of the world. Cyprus' strategic location, at the intersection of major international and regional shipping lanes, has allowed Cyprus ports to be defined as a natural place of call for vessels sailing into and out of the Mediterranean region. The island has strengthened its status as an important EU outpost in the Eastern Mediterranean by becoming a suitable transshipment hub for trade between Europe and the Far East.

The North Adriatic and Black Sea are conveniently located along the Levantine coasts, and they can be reached from Cyprus with little detour from the major thoroughfare. It serves as a logical transshipment hub for goods between Europe and the Far East. Cyprus serves as a hub for interregional marine traffic as well as other major deep-sea commercial routes crossing the Mediterranean.

The island was one of the first nations in the Eastern Mediterranean to deploy specialised container gantry cranes and a pioneer in constructing purpose-built container ports.

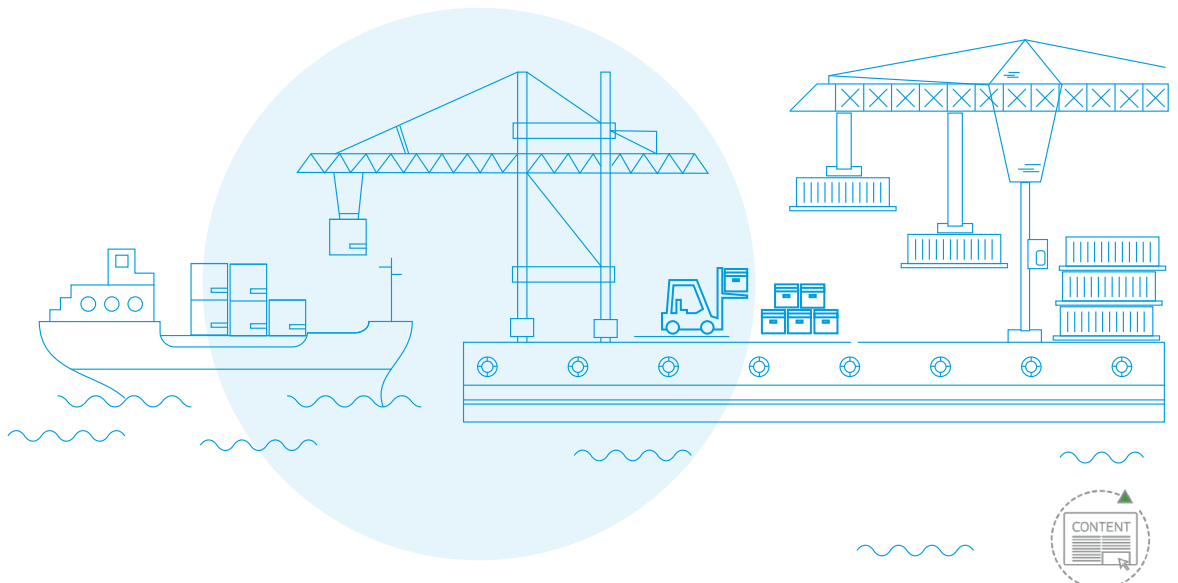
The new multifunctional ports of Limassol and Larnaca, the new industrial port of Vassiliko, and all other highly integrated port facilities and the three specialised oil terminals in Moni, Dhekelia, and Larnaca are under the coordination and supervision of the Cyprus Ports Authority. All ports accommodate all cargo kinds while working together to meet the needs of the nation's transit and local traffic as if they were a single port.

In recent years, Cyprus has grown to be one of the most significant cruise hubs in the Eastern Mediterranean. Many contemporary cruise ships have it as their home port, among other things. They regularly conduct excursions in the area for locals and tourists for at least nine months, enhancing the island's tourist offering.

Most foreign cruise ships traveling through the Mediterranean region also include the island in their itineraries.

The development of Cyprus' ports as turnaround cruise ports is currently a top priority. The building of an outstanding new passenger terminal at the port of Limassol has already begun, and preparations are being made slowly but steadily to turn the port of Larnaca into a significant cruise port.

Cyprus is the most desirable option as a port of call and as a base for ships cruising in the Eastern Mediterranean because of its favourable geographic location, a safe environment for cruise ships and passengers, and the high standard of tourist, business, and port services available.



## Port of Limassol

One of Mediterranean Sea's most cutting-edge container terminals is now in Limassol.

The Limassol port was privatised on January 29, 2017, in response to the findings of the Cypriot government's international tenders sought through the relevant Ministry of Transport, Communications, and Works.

The following three businesses took over management of the Limassol port:

- **Eurogate Container Terminal Limassol:** Dealing with the containerized cargo.
- **DP World Limassol Ltd:** Providing services to vessels of general cargo, oil & gas sector, cruise and passenger vessels.
- **P&O Maritime Cyprus Ltd:** Providing marine services to vessels.

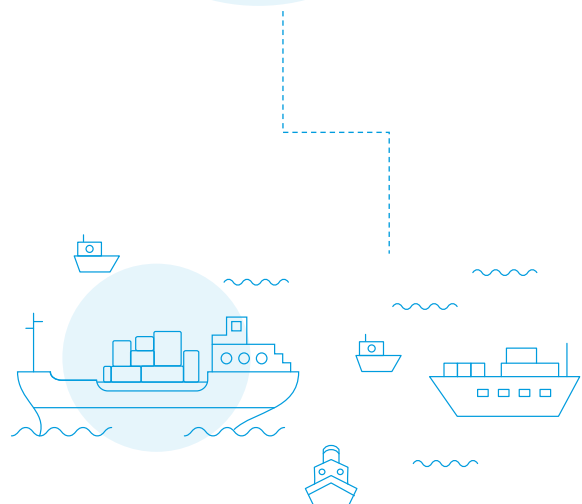
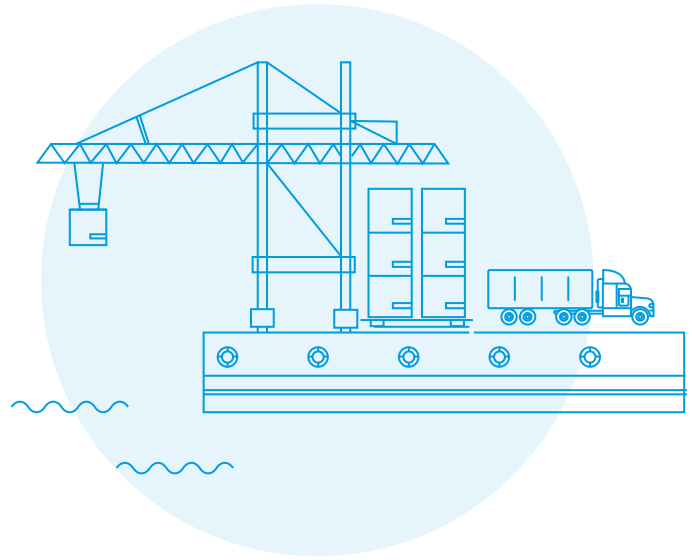
## Port of Larnaca

Larnaca port is a component of the island's industrial infrastructure. It is the closest seaport to both Nicosia, the capital city, and Cyprus' major agricultural and tourist regions in the country's southeast.

It is a multi-purpose port with a total land area of 445.000 m<sup>2</sup> and a sea area of 250.000 m<sup>2</sup> that handles all kinds of goods, including animal feed, cereals, timber, iron, fertilisers, items from the oil and gas industry, automobiles, petroleum products, plaster, timber, and other commodities.

## Port of Vassiliko

This industrial terminal handles problematic and unpackaged cargo between Limassol and Larnaca in the southern region of Cyprus. The VVTV jetty has been in use in the Port of Vassiliko since 2014. Because of its position, it is the first terminal of its sort in the Eastern Mediterranean, linking markets in the Middle East and Asia with Europe and the Black Sea. The asset features 28 tanks with a capacity of 545,000 m<sup>3</sup>, and it provides access to both road tanker loading facilities and a deep-water marine jetty. It also has a separate Jet A-1 system, ethanol storage specifically for it, and mixing capabilities.







A world leader in providing assurance, tax and consulting services to entrepreneurial growth-focused organisations globally.



# MARITIME SAFETY & SECURITY



## Cypriot Flag – Safety, Inspection, Control and Issuing of Certificates

The Cyprus flag is a top-notch sovereign flag that duly complies with all safety and security criteria derived from the Paris and Tokyo MoUs and is included in the "White List" of both MoUs. It also adheres to all safety and security standards established by international maritime and other organisations. The crucial oversight of Cypriot ships leads to a decrease in accidents and a reduction in the number of detentions of Cypriot ships by its Authority Port States. The Cypriot flag continues to be on the "White List" of the Paris and Tokyo Memoranda of Understanding due to low retention rates and fewer defects on Cypriot ships evaluated in 2022.

The Cypriot registry has advanced significantly, moving up to five positions to the eighth position on the Paris MoU "White List" on port state control, comprised of high-quality flags with a consistently low ship detention rate. This demonstrates that the Cypriot registry upholds strict safety and quality standards for vessels flying the Cypriot flag.

The evaluation of ship safety and quality, along with the number of ship inspections and detentions conducted over a specified time period, are used to determine the rating. Cyprus is regarded as a higher-quality register compared to the other open registries after moving up to the eighth spot.

The upgrade recognises the efforts taken to ensure ship safety and quality, reflects inspection and supervision procedures, and enhances the quality and credibility of the Cypriot register.

With the exception of Cyprus, the top ten countries on the Paris MoU "White List" include those with reliable and robust registries, such as Denmark, Italy, Greece, the Netherlands, Norway, Singapore, Finland, Belgium, and the UK.

## High-Quality Standards

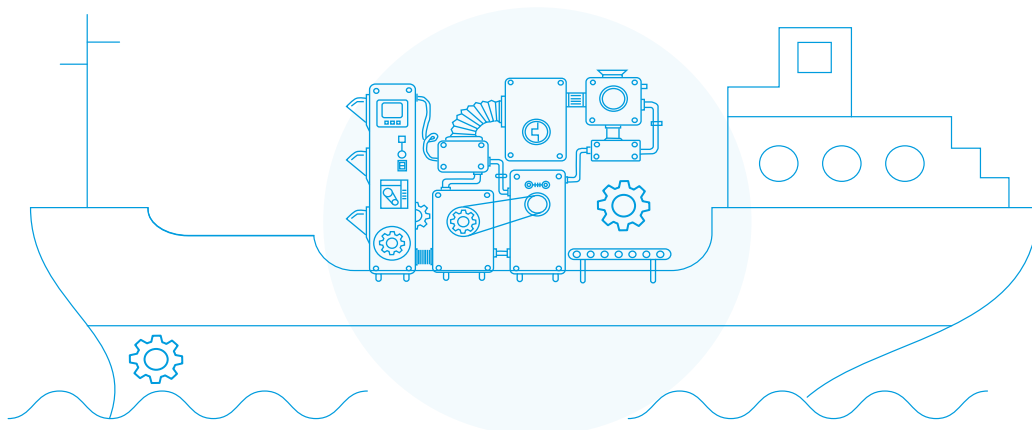
The Deputy Ministry of Shipping conducts inspections and checks on Cypriot ships in accordance with international conventions and the Cyprus Act Legislation to maintain the high standards of the safety of the Cypriot merchant fleet, to improve the working and living conditions of seafarers on Cypriot ships, and to protect the marine environment.

The inspections are conducted either by ship inspectors of the Deputy Ministry of Shipping or by authorised individuals (inspectors of Cypriot ships). Alternatively, the inspection and issuance of the pertinent certificates are typically delegated to recognised organisations in accordance with the provisions of the Legislation, which, among other things, requires the signing of a pertinent agreement with each recognised organisation separately.

The Deputy Ministry of Shipping has entered into agreements with 11 Organisations, of which their performance is inspected every two years by the Deputy Ministry of Shipping for the provision of their services mentioned above.

The Recognised Organisations are as follows:

1. American Bureau of Shipping (ABS)
2. Bureau Veritas (BV)
3. China Classification Society (CCS)
4. Croatian Register of Shipping (CRS)
5. DNV
6. Korean Register of Shipping (KR)
7. Lloyds Register (LR)
8. Nippon Kaiji Kyokai (NK)
9. Polski Rejestr Statkow (PRS)
10. Registro Navale Italiano (RINA)
11. Indian Register of Shipping (IRS)



## ISM Code

The International Safety Management Code (ISM Code) issues two certificates: a Document of Compliance for the company and a Safety Management Certificate for each ship. These certificates are used to manage ships safely, prevent accidents, and reduce pollution of the marine environment.

Cyprus additionally took part freely in an IMO auditing program. After the audit was finished, it became clear that the Department of Merchant Shipping had largely complied with both the Code for the execution of the mandatory IMO instruments included in Resolution A.973 (24) and the IMO Assembly principles established under Resolution A.974(24). This voluntary program presents Cyprus as the only Open Registry to have accomplished this and the second nation to be willingly audited globally.

The IMO Audit Scheme is seen as a way of identifying shortcomings to refine and enhance the system, as the Department of Merchant Shipping already has a thorough mechanism in place for adopting and implementing the IMO's Conventions.

## Piracy

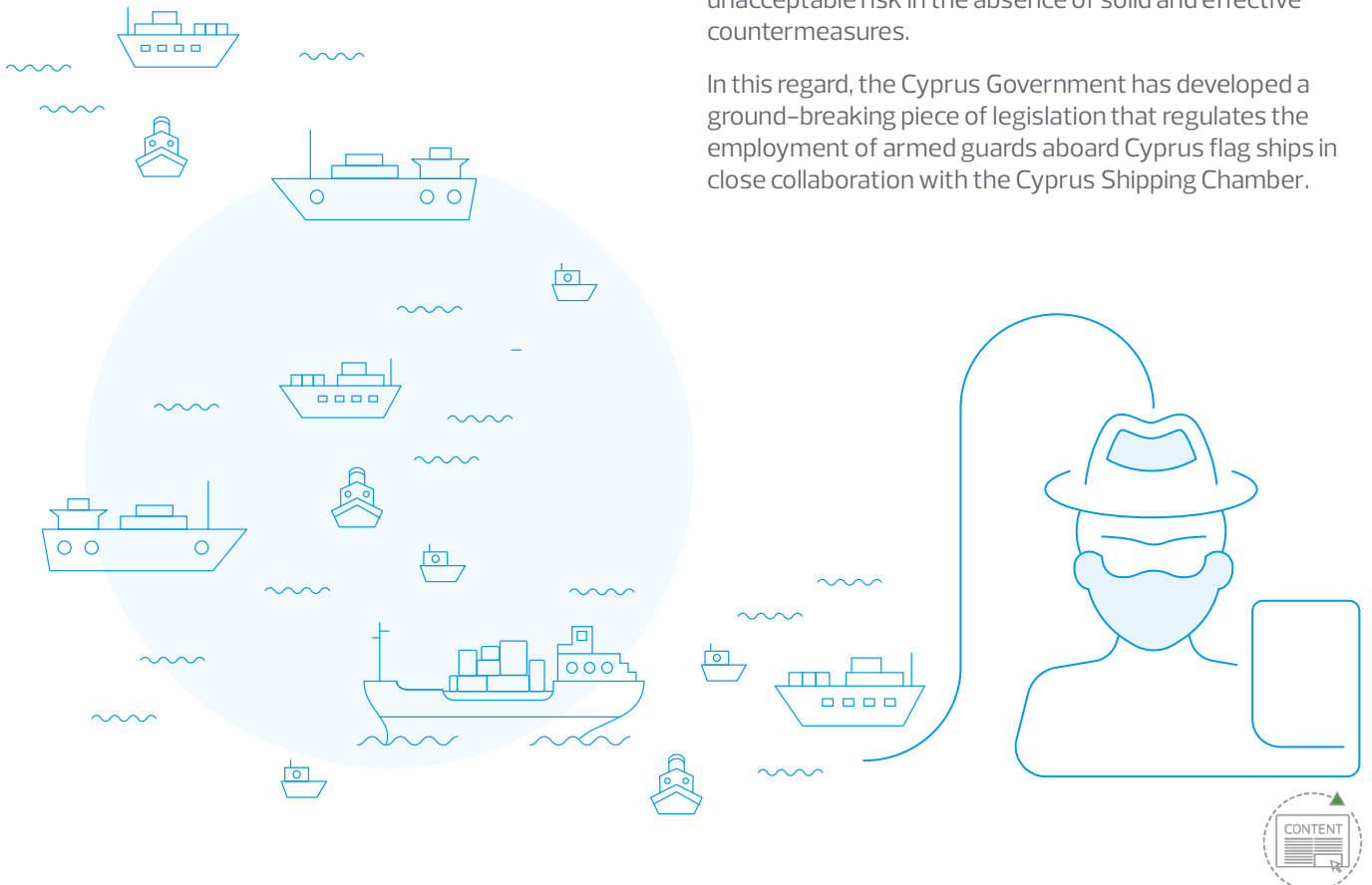
The Department of Merchant Shipping prioritises maritime security due to the growing risk that ships will be utilised or targeted by terrorists. A successful implementation of the International Ship and Port Facility (ISPS) Code has taken in place. All vessels flying the Cyprus flag and all port facilities have received the proper certification proving they adhere to the ISPS Code's specifications.

Cyprus has a responsibility to deal with the pirate menace together with the rest of the global shipping community.

Unfortunately, the current lack of a comprehensive international legal framework necessitates the addition of more and more private armed guards. There is no other way for shipowners, operators, and managers to protect their vessels, cargo, and, most crucially, seafarers. Private armed guards are by no means advised in normal circumstances, according to the mainstream opinion of the industry and the Chamber. On the other hand, ship operators are frequently compelled by cargo owners and charterers to retain all available alternatives to discourage attacks and defend their cargoes and sailors against piracy in light of the present increase, with seamen most recently being executed.

Piracy will continue to endanger the safety of thousands of seafarers, making the use of vital sea passages an unacceptable risk in the absence of solid and effective countermeasures.

In this regard, the Cyprus Government has developed a ground-breaking piece of legislation that regulates the employment of armed guards aboard Cyprus flag ships in close collaboration with the Cyprus Shipping Chamber.



# REGISTRATION



Any size or type of vessel may be registered in the Cyprus Register of Ships or the Special Book of Parallel Registration provided it complies with the Department of Commercial Shipping circulars and commercial shipping laws and meets the requirements for its age and type. The maximum age for cargo ships, floating production storage and offloading boats, and mobile offshore drilling units is 25. There is no maximum age for passenger ships that pass the entry check.

The vessel must be at a port or anchorage to be surveyed and certified on behalf of the Cyprus government during the provisional registration under the Cyprus flag. However, the presence of the ship in the port or location where the temporary registration will take place is not required.

A Provisional Certificate of the Cyprus Registry will be issued once the provisional registration has been accepted and the fees and taxes for the provisional term have been appropriately paid.

## The registration procedure

Only lawyers registered as practising advocates in Cyprus may create the paperwork needed for the formation of Cypriot corporations and any registry transactions involving a vessel owned by a Cypriot company.

## Permanent Registration

Unless an extension is granted, a provisionally registered ship's permanent registration must be completed within nine months. The Registrar of Cyprus Ships will issue the 'Certificate of Cyprus Registry', and the vessel will be permanently registered under the Cyprus flag once all essential paperwork is presented to the Cyprus Ship Registry and the administrative procedure is completed.

## Registration

The Merchant Shipping (Registration of Ships, Sales, and Mortgages) Law of 1963, as amended, governs ship registration. According to the law, the Permanent Secretary of the Shipping Deputy Ministry, who serves as the Registrar of Cyprus Ships, divides ship registration into three categories:

1. Provisional
2. Permanent
3. Bareboat charter registration (parallel)

## Parallel Registration

Cyprus Merchant shipping law allows for the 'parallel-in' and 'parallel-out' registration.

### Parallel-in registration

Parallel-in registration is utilised in bareboat chartering situations where a bareboat charterer of a foreign ship seeks to register the ship under the Cyprus flag in parallel. It is not necessary to remove the ship from the registry of the state in which its ownership is registered. However, its right to fly the flag of the state of register and to have nationality is suspended, and the foreign registry remains in effect solely in terms of the ship's ownership and encumbrance status. The registration period for parallel-in usually is two years and is renewable.

### Parallel-out registration

When a bareboat charterer desires to register a vessel that is already registered provisionally or permanently under the Cyprus flag to a foreign registry, parallel-out registration is employed. The ship's removal from the Register of Cyprus Ships, where its ownership and mortgages are recorded, is neither needed nor permitted. However, its right to fly the Cyprus flag and be a Cypriot is suspended. The parallel-out registration term is renewable and can last up to three years.

## Provisional Registration

In accordance with Cypriot law governing merchant shipping, a provisional registration of a vessel is authorised until the owners decide to register it permanently in Cyprus, either in Limassol by the Registrar or abroad at any diplomatic or consular mission by a consular officer. This will give to a corporation in the process of being formed enough time (up to 9 months, including a three-month extension) to finish the administrative procedures related to any prior flag State and/or State of registry, as well as those related to the permanent registration of the ship in Cyprus.



## Registration of mortgages

After the completion of the vessel's registration (permanent, provisional, or parallel-out) under the Cyprus flag, a mortgage against the ship can be registered at any time.

The shipowner can acquire a loan or other financial benefits through a registered mortgage, pursuant to the terms agreed upon by the contractual parties, without the requirement for exchange control authorisation. The Cyprus legislation does not permit mortgages on registered parallel-in vessels in the Register of Cyprus Ships. There is full protection for financiers and mortgagees according to the Merchant Shipping (Registration of Ships, Sales, and Mortgages) Laws of 1963, as modified, and there is no stamp duty on ship mortgage deeds or other security documents.

Once created, a mortgage must be submitted to the Registrar of Cyprus Ships or to a consular officer as directed by the Registrar. The mortgage will be recorded in the Register as of the date and time of deposit, whether it is with the Registrar or a consular officer, and it will remain an encumbrance on the vessel until it is discharged by the mortgagees.

No matter if a ship is registered permanently or only temporarily, a mortgage can be established. If the ownership of the ship on which a mortgage was created is registered in the name of a company which has been incorporated under the laws of Cyprus, the mortgage will also have to be registered with the Registrar of Companies within a maximum period of 42 days after its creation. Thus, in the event that the ship-owning company is liquidated, the mortgagee's security is safeguarded in this way.

## Age

In Cyprus, the age of a vessel is computed by subtracting the year in which the vessel's keel was laid from the year in which the application for registration was filed, provided that provisional, direct permanent, or parallel-in registration occurs in the same year.

Otherwise, the age will be estimated beginning with the year of provisional, direct permanent, or parallel-in registration.

### Age-related requirements

If the ship's age is equal to or greater than the number of years mentioned under the associated conditions pertaining to the kind of ship. In that case, the entry inspection and additional inspections specified in the next table must be performed.

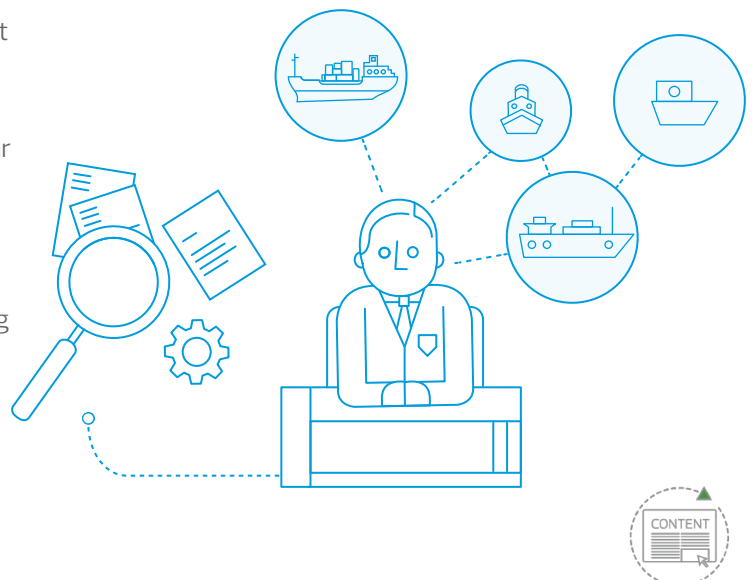
Type of ship	Entry inspection	Additional inspection required
Cargo ships	Yes, if $\geq 15$ years	No
Passenger ships engaged in international or short international voyages or engaged in domestic voyages within the territory of a state other than Cyprus	Yes, if $\geq 20$ years	Yes, if $\geq 20$ years, biennially
Fishing vessels under 25 years of age	Yes	Yes, annually
Ships of types other than those listed above	Yes, if $\geq 15$ years*	No

\* Pleasure yachts, non-propelled craft and other vessels with a Gross Tonnage of less than 500 may be excluded from this condition.

The following conditions must be met by all ships older than 25 years, with the exception of passenger ships and fishing vessels:

- the vessel must pass entry inspection with satisfactory results before its registration in the Register of Cyprus ships, and;
- to support such registration, the ship's records, age, and detention history must be provided.

The entry inspection and additional inspections are carried out by the Surveyors of the Shipping Deputy Ministry at the expense of the register owner or registered bareboat charterer. The entry inspection of a ship should be carried out no later than three (3) months from the date of the provisional or the parallel-in registration or within one (1) month from the date of permanent registration if effected directly.



## Registration conditions

### Ownership Conditions

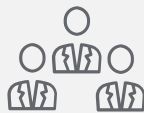
A ship may be eligible to be registered in the Cyprus Register only if:



**A**

More than 50% of the shares of the ship belong to Cypriot citizens, **or**

those who are citizens of another member state of the EU/EEA and not permanent residents of the Republic but have appointed and maintained unauthorised representative in the Republic



It should be noted that a company is considered to be controlled by Cypriots or citizens of any other Member States if more than fifty percent (50%) of its shares are owned by Cypriots or if the majority of the corporation's directors are Cypriots or citizens of any other Member States.

A person in Cyprus, a citizen of another Member State, or a partnership, corporation, or branch incorporated under Cyprus law having a place of business in the Republic of Cyprus may be an approved representative.

As a result, it is standard practice for people intending to register their ships under the Cyprus flag to create a business in Cyprus, which will either acquire or bareboat charter the ship.



**B**

The total of 100% of the ship's shares are owned by one or more legal entities, which have been established and operate:

- under the laws of the Republic and have their registered office within the Republic, **or**
- under the laws of another Member State and have their registered office, central administration or principal place of business within the EEA and either have appointed and maintain an authorized representative in the Republic, or have outsourced the management of the ship entirely to a Cypriot or community ship management company which has its main establishment in Cyprus, **or**
- outside the territory of the Republic or of another Member State but they are controlled by Cypriot citizens or by natural persons who are citizens of another Member State and have either appointed and maintain an authorized representative in the Republic or have entrusted the management of the ship entirely to a Cypriot or community ship management company which has its main establishment in Cyprus.



# FISCAL AND ECONOMIC INCENTIVES



Cyprus is a worthy choice for shipowners, charterers, and ship management due to the tax savings, financial and other benefits, and excellent infrastructure.

The Cypriot tax system is based on EU rules as well as the Organisation for Economic Cooperation and Development (OECD) principles against detrimental tax practices.

Cyprus is the only EU member with an approved tax system (Tonnage Tax base) for commercial shipping. The Merchant Shipping Law, N44(I)/2010, passed by the House of Representatives and went into effect on January 1, 2010, as amended, places Cyprus in a prominent position and offers various benefits to shipping businesses that pick Cyprus as a base for operations.

## Cyprus Shipping Taxation System

The Cyprus Tonnage Tax System (TTS) which has been approved by the European Commission as compatible with the Guidelines on State Aid to Maritime Transport, provides a stable fiscal environment for Cyprus Shipping in the long term. The TTS is applicable as from the fiscal year 2010 and governed by the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010 – 2020 (Law 44(I)/2010 as amended).

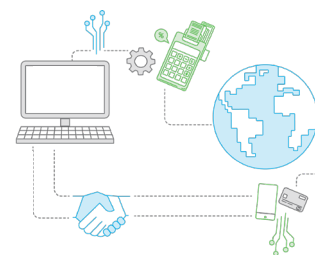
Cyprus corporation tax is 12.5%, one of the lowest in the EU; however, Cyprus has adopted a tonnage tax system for shipping industries. The European Commission's official approval in 2010 of this innovative and pioneering legislation, The Cyprus Shipping Taxation System – Tonnage Tax System (TTS), is the most significant success for Cyprus Shipping since the formation of the Republic of Cyprus.

The EU reapproved the system on December 16, 2019, and since then it will be effective for the next ten years, ensuring Cyprus' competitiveness and creating a stable tax environment for Cypriot shipowners, ship managers, charterers, and foreign owners' ships.

TTS really modernises the existing financial incentives for shipping activities in Cyprus and provides new ones, in full compliance with the demands of the European acquis and the 2004 guidelines on State assistance to marine transport.

The implication is that any shipowner, whether within the EU or, more significantly, from outside the EU, may profit from this competitive shipping taxation system and be able to fly a high-quality EU flag on their ships.

The entire group of shipping businesses based in third countries (non-EU flag ships) can also participate in the new Cyprus competitive tonnage tax regime by establishing a shipping company's tax residency in Cyprus and having a Cyprus flagship either owned, managed, or chartered.



### What does it offer?

The system expands tax benefits previously limited to profits from vessel operation in shipping activities to include profits from vessel sales, interest earned on funds not used for investment purposes, and dividends paid directly or indirectly from profits related to shipping.

This is a distinctive benefit because profits are disregarded under the tonnage tax system in favour of a vessel's tonnage alone. The computation is based on a scale and the vessel's overall net tonnage.

Shipowners, charterers, and ship managers are all subject to the tonnage tax provided that they own a qualifying vessel engaged in a qualifying maritime business as defined by Cyprus law.

Eligible shipping activities are exempt from income tax under the new legislation. Instead of a corporate income tax based on real profits, a tonnage tax is applied based on the net tonnage of vessels.

Businesses that engage in qualified operations fulfil all their duties towards the Merchant Shipping Department rather than the Tax Authorities.



## Registration fees

Cyprus is regarded as one of the most competitive shipping centres worldwide in terms of registration costs and taxes. The following fees are less than those of Cyprus' biggest competitors.

### Ocean Going Commercial Cyprus Ships

There are no fees for the registration of ships or mortgages for Ocean Going Commercial Cyprus Ships. Only the fees and dues specified in the Merchant Shipping (Fees and Dues with Respect to Ocean Going Commercial Cyprus Ships) Regulations of 2019 (P.I.322/2019) are enforced.

### Non-Ocean Going Commercial Cyprus Ships

The fees and dues for non-ocean going commercial Cyprus ships are those established in the First Schedule of the abolished Merchant Shipping (Fees and Taxing Provisions) Laws of 1992 to 2007, which is still in effect until its full repeal and replacement.

### Cyprus Registry Maintenance Annual Fee

An annual charge of Euro 300 is payable upon registration of a Cyprus ship (whether ocean-going or non-ocean-going commercial Cyprus ships) and annually afterwards by the 31st of March of each year.

## Non-community vessels owners

They must comply with certain conditions in order to enjoy the perks of being taxed under the TTS.

This include among others:

1. At least 60% of the fleet should comprise EU flagships. The percentage is measured in terms of tonnage.
2. If the fleet is less than the requested 60%, the Tonnage Tax regime can still be utilized if:
  - a. The commercial and strategic management of the fleet must be carried out from the EU/EEA.
  - b. A fleet share should comprise EU flagships, which shall not be reduced in the following 3 years from the first year of the TTS election.

## Shipowners

The implementation of the tonnage tax system is required for businesses that own ships flying the Cyprus flag and optional for owners, charterers, and ship managers of ships flying other flags.

### Income that is exempted under the TTS:

- Profits from shipping operations
- Interest income relating to the working capital of the company
- Gains from the disposal of ships
- Dividend income relevant to the distribution of the profits above
- Profits from the sale of shares held in ship-owning companies

The exemption also applies to the bareboat charterer of a vessel flying the Cyprus flag under parallel registration.

It has been defined that as from 1 January, 2020, an owner who benefits from the Tonnage Tax Regime can be considered as a qualifying owner of qualifying ships, in case the qualifying ship has being chartered out on bareboat chartered terms if:

- a. The ship was chartered out to a charterer who belongs to the same group as the actual owner of the ship, thereby allowing for the transaction to be considered as an intra-group transaction or
- b. The owner sufficiently demonstrates that the ship was bareboat chartered out due to short-term over capacity and the term does not exceed three (3) years.

It is noted that for the above provisions, it should be proved that the 50% of the Tonnage Tax Fleet is still operated by the owner.





## Charterers

Exemption is given to:

- Profits from the exploitation of qualifying ships
- Interest income relating to the working capital of the company
- Dividend income from the profits generated above

The law grants the exemption if the option to register for tonnage tax is exercised for all vessels and if a composition criterion is met; at least 25% (down to 10% under certain circumstances) of the net tonnage of the vessels owned or chartered in bareboat.

## Ship managers

The exemption covers:

- Profits from rendering of technical and crewing ship management services to qualifying ships.
- Dividend income from the profits generated above
- Interest income relating to the working capital of the company

In order to qualify, ship managers must satisfy the following additional requirements:

- Maintain a fully-fledged office in Cyprus with sufficient, appropriate and qualified staff (of which at least 51% should be EU community residents)
- At least 51% of all onshore personnel must be community citizens
- Over 2/3 of the total tonnage under the ship management activities should be managed within EU territory. In case less than 2/3 of the tonnage is managed in the community, it is taxed under normal corporation tax rates.

**Important general notes:**

- All-or-nothing rule – in a case a shipowner / charterer / ship manager of a Group elects to be taxed under the Tonnage Tax Regime, all shipowners / charterers / ship managers of the group should elect the same.
- The emoluments of the captain, officers and crew members of a qualifying Cyprus ship are exempted from taxation in Cyprus.
- Shipowners and ship managers elected to be taxed under the Tonnage Tax system must remain under the regime for 10 years unless they have a valid and solid reason to exit.

**Note:**

Ship management services are services provided by a ship manager to an owner or bareboat charterer of a ship based on a specific and exclusive written ship maintenance agreement relating to the crew management services and/or to the technical management services of the ship. Commercial management services offered are not considered qualifying activities under the Tonnage Tax regime. For this reason, such services are normally subject to corporation tax.

## Tonnage System administration and tax rates

Qualifying owners / managers / charterers of foreign flag ships have the responsibility to submit tonnage tax return and pay tonnage tax by the 28<sup>th</sup> of February of the year following the tax year. Qualifying owners of Cyprus ships shall submit the tonnage tax declaration by the end of 31<sup>st</sup> of March of the year following the tax year.

The applicable rates are:

Units of net tonnage	Rate/100 units of net tonnage	Rate/400 units of net tonnage
0 - 1000	Shipowners / charterers €36,50	Ship managers €36,50
1001 - 10.000	€31,03	€31,03
10001 - 25.000	€20,08	€20,08
25.001 - 40.000	€12,78	€12,78
in excess 40.000	€7,30	€7,30

## Income from other activities

It is feasible and frequently expected for shipowners, charterers, and management to invest excess funds and generate income from sources other than shipping.

Although this revenue is not subject to the tonnage tax, it is liable to corporation tax at the EU's lowest standard rate of 12.5%.

The law allows different tax exemptions, bringing the effective tax rate on non-shipping income considerably below the 12.5% threshold. Separate records must be kept if there is a mix of income from shipping and non-shipping operations (Tonnage Tax and Corporation Tax).

Additionally, related party transactions exempt from the Tonnage Tax must be completed at market value.



## Environmental incentives/discounts

According to the Tonnage Tax (Environmental Incentives) Ordinance of 2021, a discount of up to 30% is provided on the Annual Tonnage Tax paid by shipowners for both Cypriot and Community ships.

This discount is based on the amount of emission reductions that a ship must make and the use of alternative fuels that significantly aid in weaning off carbon-based fuels. It is emphasised that the tax credit only applies to ships that reduce emissions via their operations by a greater amount than what is anticipated within the international regulatory framework.

In order to comply with the tightest standards that will be developed within the scope of the International Maritime Organisation and the EU, these incentives will be evaluated and modified as necessary.

The initial year of the environmental incentives was 2021, and the first year that applications could be submitted was 2022.

## Major Advantages of TTS

- The shipowners and management companies are taxed based on the net tonnage of the ship and not based on the Cyprus Corporate Tax (12.5%)
- The tax obligations of each Company are managed by the Merchant Shipping Department and not by the Tax Commissioner
- Provides full exemption of profits from Corporation Tax and Taxation on the distribution of profits (dividends)
- Allows for mixed activities in a company/ group of companies, as well as taxation of shipping activities based on the provisions of the Tonnage Tax law and any other activities based on the Corporation Tax at 12.5%
- Promotes the transparency of the register of registered companies and vessels
- The favourable tax system and the excellent Merchant Shipping legislation contribute to creating an ideal tax framework for shipping groups and a destination for leading companies.



# INTERNATIONAL PRESENCE



Cyprus has a significant global presence and participates actively in decisions made by international organizations, like the IMO, the ILO, and the EU, regarding a collection of topics relating to the maritime industry.

## Participation of Cyprus in the International Maritime Organisation (IMO)

Cyprus keeps a permanent representation at the IMO and actively participates in all committees and other IMO entities. Cyprus is being re-elected in Category C every year since 1987.

The Deputy Ministry of Shipping contributes to the sustainable environmental strategy to ensure sustainable development of the shipping industry by submitting proposals to various IMO committees, particularly in matters pertaining to protecting human life at sea, environmental protection, and preventing marine and air pollution from vessels.

## Participation in the institutions of the European Union

The Deputy Ministry of Shipping actively participates in the institutions of the EU and studies issues pertaining to shipping as well as other matters falling under its purview.

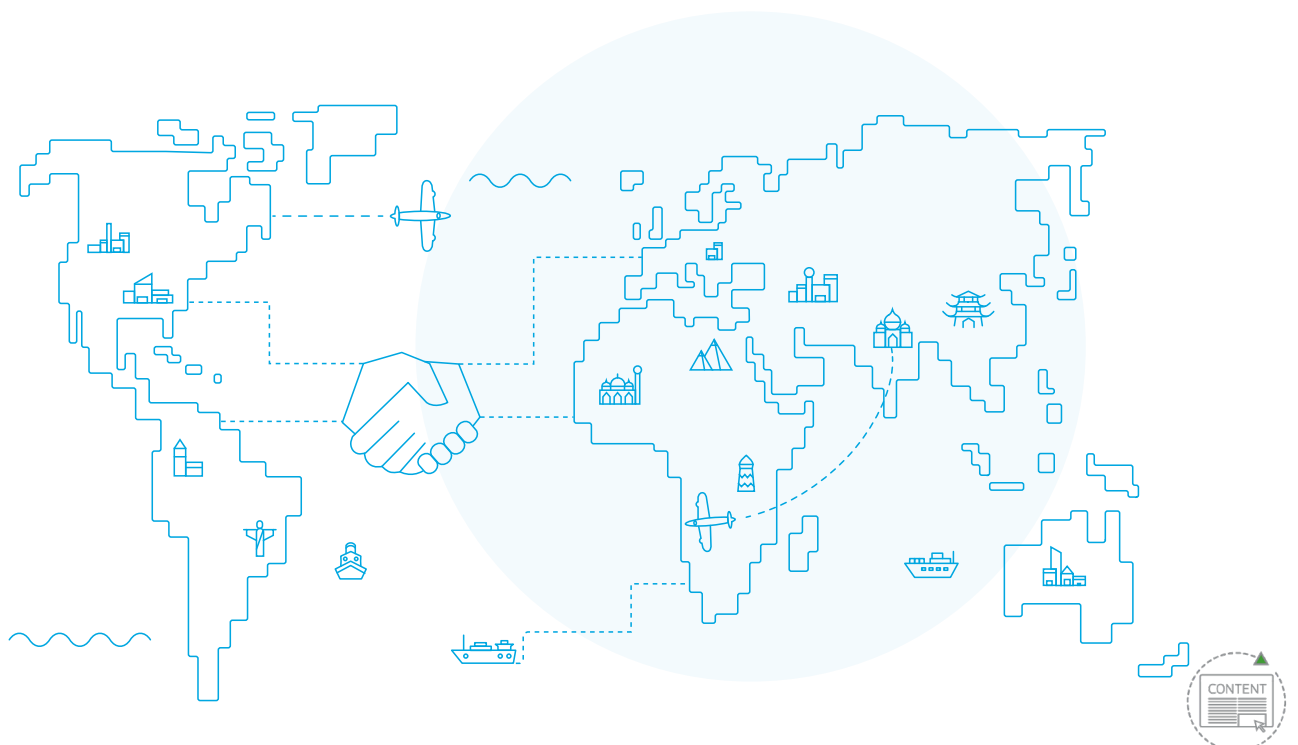
Also, as an active member of the Board of Directors, Cyprus, ensures that the Organisation operates transparently and equally.

## Meetings with the Secretary General of the International Maritime Organization

The General Secretary of the Organization, and the Deputy Minister of Shipping met in 2021 to discuss matters of concern pertaining to the international shipping industry, in particular the difficulties the industry faces in protecting the environment from pollutant emissions, and the major challenges of the green transformation of the industry, the various initiatives that are currently underway at both the global and European levels, as well as issues that concern the EU.

## United Nations Ocean Summit

The Deputy Minister for Shipping represented Cyprus at the United Nations Conference on Oceans. The conference's theme was the improvement and continued promotion of novel and empirically supported actions to achieve the UN's goal of sustainable ocean development and the preservation of the marine ecosystem.



# LONG-TERM NATIONAL STRATEGY FOR CYPRIOT SHIPPING "Sea Change 2030"



The Deputy Ministry of Shipping created the national "SEA Change 2030" plan to produce a strategic projection, promoting and emphasising the Cypriot registry and shipping domestically and globally.

The establishment of Cyprus as an internationally integrated shipping centre and the development of a competitive and high-quality national registry and quality shipping cluster comprise the vision of the strategy, aiming at the following:

- Further development of the Cyprus Registry and maritime complex
- Strengthening the position of Cyprus as an international shipping centre
- Promotion of Blue Development
- Formulation of long-term policy

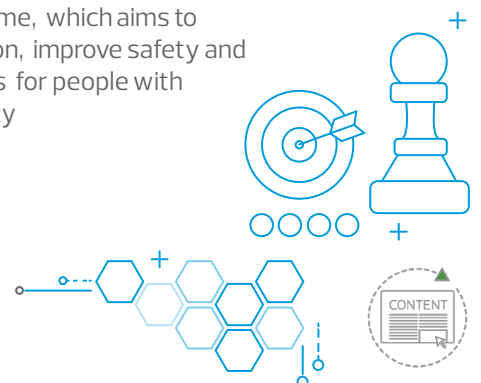
## Strategic Objective

Strengthening the competitiveness of Cyprus Shipping, the Cyprus Registry and the Maritime Cluster of Cyprus.

The approach is supported by 35 specific actions; the main ones are as follows:

- Creation of the "Cyprus Open Maritime Exchange" (COME) platform
- Improving links with foreign countries through processing and signing Memoranda of Cooperation with other nations (i.e. Sierra Leone, UAE, UK, Panama, Saudi Arabia)
- By taking actions in EU institutions to reinforce the legislative recommendations of the "Fit for 55" Package of measures. Also, by strengthening the effective and productive interaction with regulatory bodies responsible for determining global and European-level marine policy
- Through the Systematic Policy Review through analysing market trends in consultation with the shipping industry
- Prevention of future arrests by providing systematic information to shipowners and ship operators through the provision of information in relation to the Port State and Flag State Controls

- Providing support to Cypriot-flagged ships to deal with crises (i.e. the COVID-19 pandemic and Russia's invasion in Ukraine)
- Provision of Green Tax Incentives to reduce environmental shipping footprint
- Encouraging and facilitating trials on Cypriot Flag vessels for the use of biofuels and alternative fuels of non-fossil origin
- Signing a Memorandum of Cooperation with the Digital Security Authority regarding the confrontation of cyber risks in the shipping sector
- Implementation of the RISE Program ("Research Innovation Shipping Environment" (RISE)) in collaboration with the Research and Innovation Foundation, with the grant of €10 million worth of projects that support the green and digital transformation of shipping
- Creation of a procedural framework to promote Cyprus as an arbitration centre and mediation of maritime disputes
- Creation of a framework that will support the provision of One Stop Service (one-stop-shipping-shop) via:
  - Digitisation of all the services of the Deputy Ministry of Shipping, which is in full swing with the completion project schedule by early 2024, including the creation of:
    - i. Electronic Maritime Library (e-Maritime Library), and
    - ii. "Electronic Help Desk" (e-Helpdesk)
  - Establishment of a Limited Liability Shipping Company (LLSC)
- Re-operation, after 21 years, of the Cyprus Sea Passenger Connection – Greece
- Formation of a legal and planning framework for Maritime Spatial Planning of Cyprus
- Supporting coastal tourism by creating a sustainable framework for coastal ferries passenger vessels through a targeted State Aid Scheme, which aims to prevent pollution, improve safety and facilitate access for people with reduced mobility



## Green Transformation and Digitisation

Shipping already faces a number of significant issues related to digitisation and a greener future. Cyprus is actively promoting significant reforms in shipping while ensuring the industry's competitiveness in light of the present geopolitical difficulties. The most significant contribution to overcoming the difficulties has been implementing the "SEA Change 2030" Strategy.

By adopting its legal framework for limited liability shipping companies and digitising its services, the Cyprus Registry has laid a solid foundation for a single-window framework service (a one-stop-shipping shop). The Deputy Ministry will concentrate its efforts on maintaining and promoting this momentum throughout 2023 and beyond to increase its effectiveness and attractiveness further.

## One-Stop-Shipping Centre

The Government is determined to speed up the process for the implementation of the "One-Stop Shipping-Centre", which was a long-standing demand of the shipping industry.

The goal is the sustainable development and strengthening of the competitiveness of the Cypriot flag, underlining that Cyprus has introduced tax incentives to support the green transition in Cypriot shipping while implementing environmental practices by shipowners.

## Limited Liability Shipping Company (LLSC)

The "Limited Liability Shipping Company Law of 2022" was approved by the House of Representatives on October 6, 2022, enacting new legislation in Cyprus. The implementation of action number 14 of the new Long-term National Strategy for Cypriot Shipping, "Sea Change 2030," conforms with this legislation.

The main objective of the new legislation is to strengthen the Cypriot flag's competitiveness in international shipping by bringing all maritime matters under the control of a single organisation, the newly established corporate entity known as "Shipping Limited Liability Company," which is overseen by the Deputy Ministry of Shipping.

The new legal entity aims to own and operate ships flying the Cyprus flag while following streamlined processes explicitly designed for LLSCs. With more straightforward provisions (compared to the equivalent provisions of the Cyprus Companies Law) in a number of areas, such as the incorporation of the LLSC, the amendment of its Memorandum of Association, the reduction of its capital, and other areas, the legal framework will be more appealing to handle all issues related to LLSCs, from their establishment to their liquidation.

In practice, the new law acts as another step towards the formation of a One-Stop-Shipping-Shop.

## Deputy Ministry of Shipping Digital Transformation

All Deputy Ministry services will be offered digitally in a single paperless environment by the beginning of 2024 with the development of a mobile app (MobileApp) for the Deputy Ministry, where digital services will be available to all mobile users.

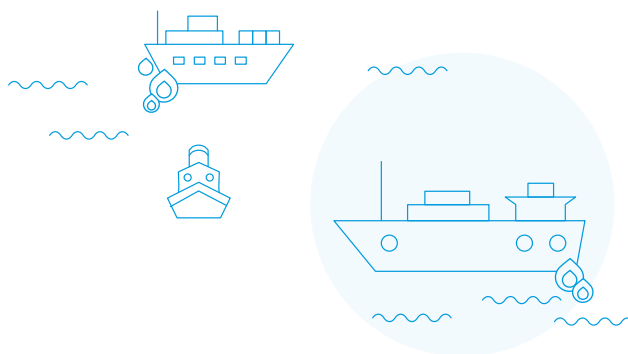
Under Cyprus' Recovery and Resilience Plan, the EU contributes to the project's co-financing. Based on three main ideas, it seeks to maximise operational efficiency in order to optimise the Deputy Ministry's business processes:

- Provision of one-stop service
- Process optimisation and integration: By using streamlined and simplified procedures as well as integrated software solutions, business units and their processes should be combined and complement one another
- Operational and Operational excellence: To provide reliable services in an efficient manner and with low operating costs, utilising modern technological capabilities.

## International Convention Prevention of Pollution from Ships "MARPOL"

The Deputy Ministry of Shipping reviewed and approved a total of 1098 equivalent arrangements and exemptions, either permanent or temporary, and 10 oil pollution emergency response plans (SOPEP) in the context of the implementation and compliance of the Cypriot fleet with the International Convention on the Prevention of Pollution from Ships (MARPOL).

The trial use of biofuels was permitted in 8 Cypriot ships as part of implementing the laws for reducing pollutants from greenhouse gases, particularly for reducing carbon dioxide from the produced gaseous pollutants of ship engines.



## EU legislative action for the climate

As a component of the European Green Deal, which aims to boost the EU's position as a worldwide climate leader, the European Commission proposed a package of legislative proposals dubbed "Fit for 55" on July 14, 2021.

In order to achieve climate neutrality by 2050 and support it, the package aims to modernize existing legislation in accordance with the EU's 2030 climate target and introduce new policy measures. It also aims to reduce net emissions by at least 55% by 2030 compared to 1990 levels.

## EU emissions trading system

Each year, the EU ETS lowers the cap on emissions from particular economic sectors and sets the price for carbon dioxide emissions. The Commission suggests even more lowering the overall emission cap and quickening the pace at which emissions are being reduced each year.

Additionally, the phase-out of free aircraft emission allowances over time should align with CORSIA, a global mechanism for international aviation carbon offsetting and reduction, and the first inclusion of shipping emissions in the EU ETS.

## Maritime transport emissions

For the first time, shipping-related emissions will be covered by the EU ETS. There will be a gradual introduction of requirements for shipping corporations to surrender allowances: 40% for certified emissions starting in 2024, 70% in 2025, and 100% in 2026. The majority of large vessels will initially fall under the purview of the EU ETS, while other big vessels, specifically offshore vessels, will initially fall under the 'MRV' regulation to monitor, report, and verify CO<sub>2</sub> emissions from maritime transport and then only later fall under the EU ETS. Methane and N<sub>2</sub>O non-CO<sub>2</sub> emissions will be covered under the "MRV" legislation starting in 2024 and the EU ETS starting in 2026.

## Green Transition

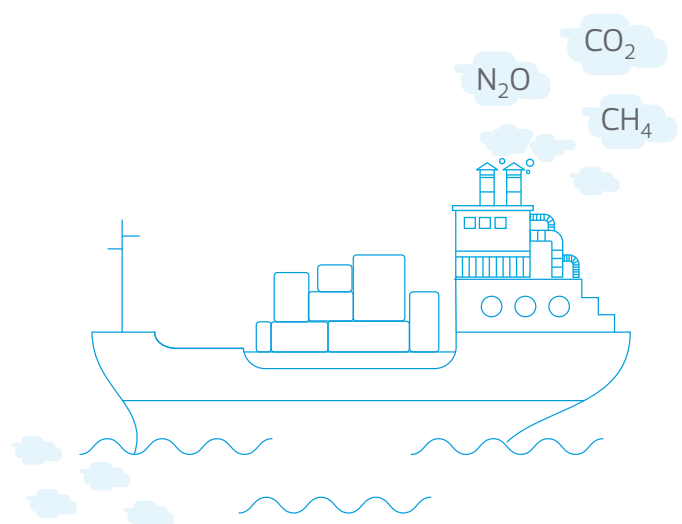
For decades to come, decarbonisation – the reduction of Greenhouse gases (GHG) to mitigate climate change – is seen as the shipping industry's greatest issue. Cyprus, an island nation with a long and illustrious nautical history, has taken steps that indicate its aim to take the lead in shipping's transition to a more environmentally friendly future.



A challenging job, decarbonising shipping is expected to cost up to \$1.65 trillion by 2050. The Paris Agreement, which aims to achieve GHG emissions neutrality in the second half of this century and emissions targets introduced by the International Maritime Organization (IMO) to reduce CO<sub>2</sub> emissions by 40% by 2030 and GHG emissions by 50% by 2050, serve as a backdrop for this.

Achieving these objectives is no easy task. The use of alternative fuels, including liquefied natural gas (LNG), liquefied petroleum gas (LPG), methanol, biomethane, hydrogen, and ammonia, and hybrid power sources such as batteries and wind-assisted propulsion (WAP), becomes necessary.

For the need for decarbonisation of shipping, the government supports the shipping industry towards this goal through green tax incentives for shipowners and ship operators, encouraging Cypriot-flagged ships to use alternative fuels, such as biofuels and hydrogen.



## Cyprus lowers the tonnage tax

With the introduction of environmental incentives through [tonnage tax system reductions](#) of up to 30% "for owners of Cyprus and Community flagged ships that use mechanisms for the environmental preservation of the marine environment and the reduction of the effects of climate change", Cyprus quickly transitioned from words to regulatory actions.

Based on Sections 9(1) and 13(1) of the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020 (Law No. 44 (I) of 2010 as amended by Law 39(I)/2020), the Cyprus Shipping Deputy Ministry (SDM), had announced a new range of green incentives aiming to reward vessels that demonstrate effective emissions reductions, which have been applicable as from the fiscal year 2021.

According to the above, the Law encourages owners of Cyprus and Community flagged ships that use mechanisms for the environmental preservation of the marine environment and the reduction of the effects of climate change.

**In this respect, the tonnage tax of each vessel can be reduced up to 30% if they have proactively demonstrated measures to reduce their environmental footprint.**

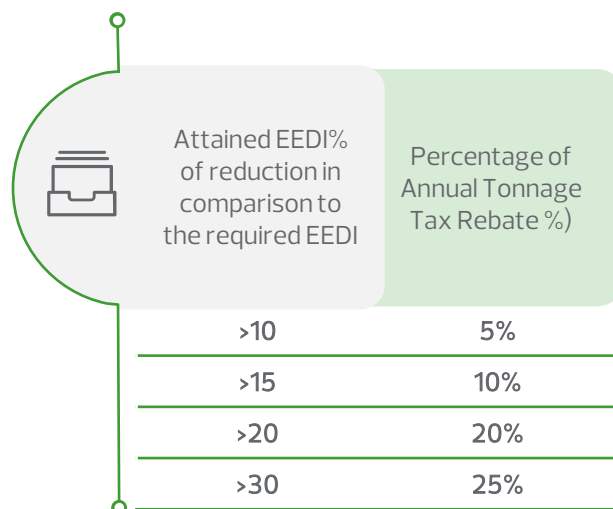
In more detail, environmental incentives such as a "discount" on the Tonnage Tax are offered in three categories by comparing emissions reductions required by a vessel with what a vessel actually achieves.

The Energy Efficiency Design Index (EEDI), the IMO Data Collection System (DCS), and the usage of alternative fuels are the three levels at which the incentives are applicable.

### 1. Energy Efficiency Design Index (EEDI)

This incentive applies to vessels subject to Reg. 19, Reg. 20, and Reg. 21 of MARPOL ANNEX VI, as amended.

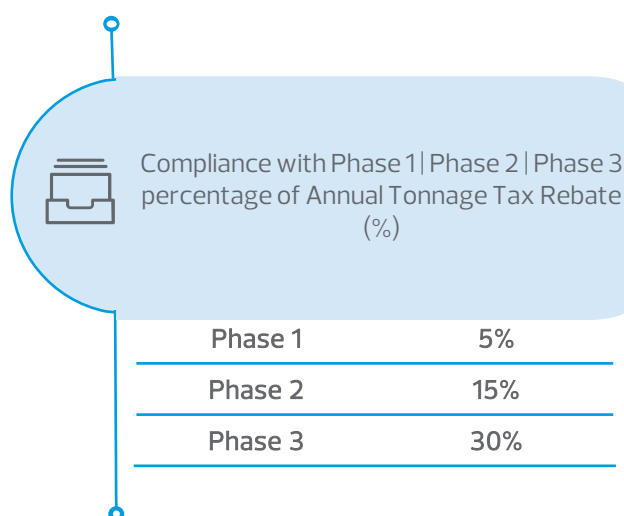
i. Ships that achieved a further reduction of the attained EEDI compared to the required EEDI (Regulation 20 / MARPOL ANNEX VI) as per the next Table shall obtain the respective Annual Tonnage Tax rebate.



Attained EEDI% of reduction in comparison to the required EEDI	Percentage of Annual Tonnage Tax Rebate (%)
>10	5%
>15	10%
>20	20%
>30	25%

For Phase 2 & 3, as referred below, an additional 10% and 30% is applied respectively, at the respective percentage of EEDI. The total rebate is limited to a maximum of 30% on the annual Tonnage Tax for each ship.

ii. For Ships which are not subject to Regulations 19, 20 and 21 of the amended MARPOL Convention/ ANNEX VI, but which nevertheless demonstrate voluntary implementation and compliance with Phase 1 or Phase 2 or Phase 3, thus voluntarily exceeding the relevant environmental standards, Annual Tonnage Tax reduction as per Table 2, shall apply.



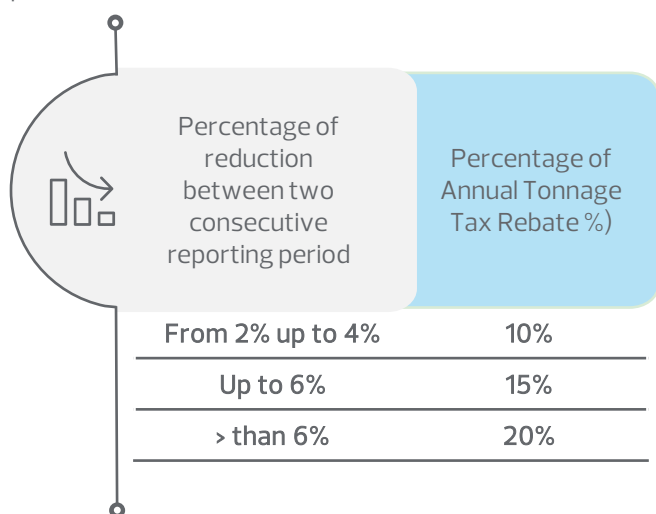
Compliance with Phase 1   Phase 2   Phase 3 percentage of Annual Tonnage Tax Rebate (%)	
Phase 1	5%
Phase 2	15%
Phase 3	30%



## 2. IMO Data Collection System (DCS)

The Environmental Incentive 2 related to the Data Collection System (DCS) introduced by the International Maritime Organization (IMO), applies to ships of 5.000 GT and above, with at least 4.380 reported hours at sea per annum, which are subject to the provisions of Regulation 22A of the amended MARPOL Convention/ ANNEX VI.

Ships that achieve a reduction of the total fuel consumption in relation to the distance travelled between two consecutive reporting periods (year x vs year x-1), shall obtain Annual Tonnage Tax reduction (for year x) as per Table below.



Percentage of reduction between two consecutive reporting period	Percentage of Annual Tonnage Tax Rebate (%)
From 2% up to 4%	10%
Up to 6%	15%
> than 6%	20%

## 3. Use of alternative fuels

The Environmental incentive related to the Alternative fuels applies to eligible ships of 5000GT and above.

Ships that consume Alternative fuels will secure an Annual Tonnage Tax reduction, as per table below, on a case-by-case basis after successful review of the submitted documents.

Type of Alternative fuels	Percentage of Annual Tonnage Tax Rebate
Bio – Fuels, Methanol, Electric, Other achieving reductions of CO2 emissions of at least 20% in comparison to a similar ship which consumes fossil fuels	15%
Bio – Fuels, Methanol, Electric, Other achieving reductions of CO2 emissions of at least 30% in comparison to similar ship which consumes fossil fuels	30%

Ships that consume alternative fuels will maintain the same Annual Tonnage Tax reduction for as long as they continue to consume the alternative fuel. The reduction of CO2 emissions as per previous Table, should be achieved solely by the consumption of alternative fuels. Statement by the ship's Classification Society or other objective studies/document should be submitted annually.

Based on the provisions of the law, the outlined environmental incentives are cumulative. In addition, as per the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010–2020, each ship can only receive a maximum 30% rebate on the Annual Tonnage Tax. An eligible ship for any environmental incentive is a ship that engages in qualifying shipping activities as per the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010–2020.

Additionally, a ship must not have violated any environmental laws or EU directives, been detained under Port State Control for environmental reasons, or been in a laid-up condition during the calendar year the shipping company applies for the incentive.

Decarbonisation is now top of mind for the international shipping community. Through discourse and deeds, Cyprus intends to take the lead in keeping its preeminent position in the maritime sector. The tax incentives are exactly that, a practical way to incentivise shipping companies to operate in a manner that protects the environment, and to invest in environmentally sustainable solutions through alternative fuel.

The Cyprus government also expects such incentives to lead to increased competitiveness and growth through new green technologies and job creation.

## International BALLAST WATER MANAGEMENT (BWM) Convention

On November 8, 2018, Cyprus put into effect the International Convention on the Control and Management of Seaweed and of Sediments Originating from Ships (BWM), to which Cyprus has now acceded.

In regards to the ships' timely compliance with BWM requirements, the objective challenges that were present in 2021 persisted in 2022.

After examining each case, 183 extensions to the date for installing seawater management systems, as well as 59 other temporary extensions, equivalent arrangements, and exemptions for problems resulting from the use of installed systems, were approved in order to address the resulting issues.





## Overview of the Policies to promote e-fuels in maritime transport

According to the legally binding international treaty on climate change "Paris Agreement", adopted in 2015, global temperature increase must be limited below 2°C and pursuing efforts to keep it to 1.5°C legally binding by the end of this century.

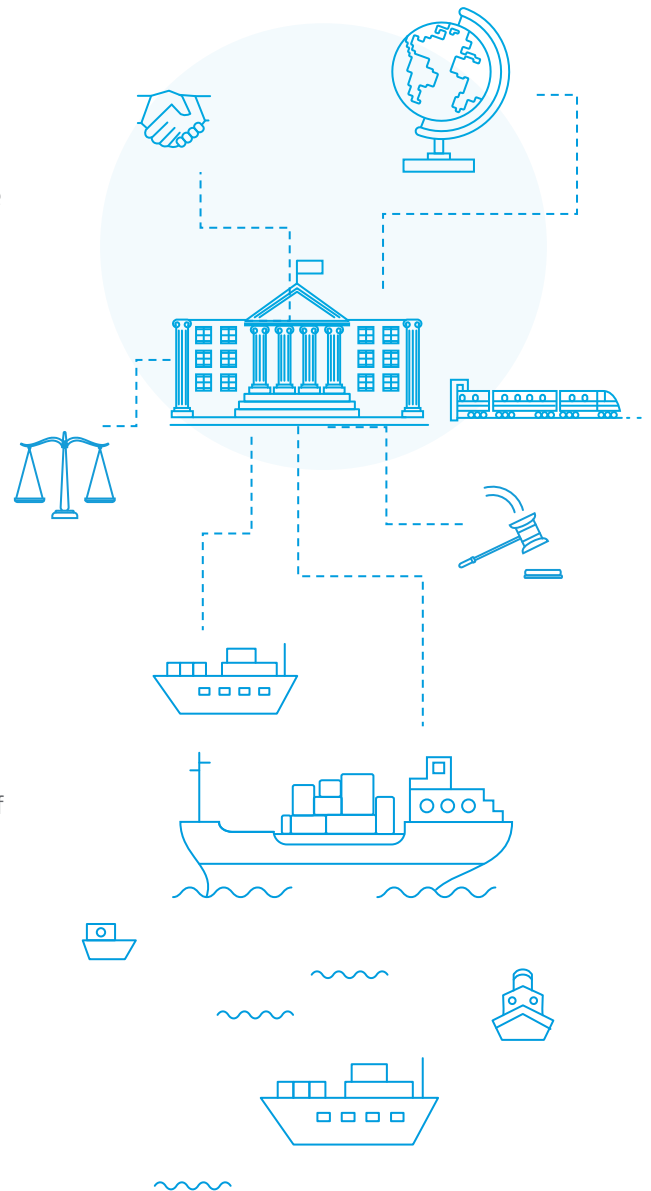
International Maritime Organization (IMO) adopted in 2018 an initial strategy for decreasing GHG emissions from ships by at least 50% by 2050 compared to 2008. Decarbonising international shipping is a priority issue for IMO, and all organisations are committed to acting together in revising strategies towards this scope. In the context of implementing the IMO GHG emissions strategy, flag states must ensure that ships comply with applicable IMO rules.

In line with its commitment under the Paris Agreement, the EU has decided to become a climate-neutral economy by 2050, setting a target for 2030 of reducing GHG emissions by at least 55% compared to 1990 levels. Ensuring the above, the European Green Deal aims at transforming the EU into a modern, resource-efficient and competitive economy.

In July 2021, the European Commission put forward the "Fit for 55" package of legislative proposals aimed at ensuring the success of the European Green Deal. Among these, the addition of shipping to the EU Emissions Trading System (ETS) places a price on emissions by establishing an annual absolute cap on the emission of specific greenhouse gases (GHG) and necessitating the purchase of emission allowances.

The FuelEU Maritime regulation is one of these proposals seeking to steer the EU maritime sector towards decarbonisation. Today, the maritime sector relies entirely on fossil fuels. The high energy density of these fossil fuels allows ships to travel long distances without the need to refuel en route. Green e-fuels, notably hydrogen and ammonia, are produced from renewable electrolysis and can be supplied in large quantities, though these are more expensive and call for investments in new ships and port infrastructure because they are still developing technologies.

The FuelEU Maritime proposal contains specific targets for the GHG intensity of fuels used in the European maritime sector, increasing stringency over time. The proposal has drawn criticism, though, for including LNG on the list of permitted fuels through 2040. Under the current proposals, ship operators would have little incentive to switch to other more expensive but lower-carbon fuels, since investments are required in new vessels and port infrastructure. Based on the publication "The Potential of E-fuels to Decarbonise Ships and Aircraft" by the International Transport Forum and the article "FuelEU Maritime", (Transport & Environment) a solution could be a "multiplier" of 5 to companies using renewable-based e-fuels could be added to close the cost-competitiveness gap with waste-based biofuels, or by setting a specific sub-target for green hydrogen-based fuels (for example, requiring at least 50% of the GHG target to be met by green e-fuels). Moreover, incentivise investments in zero-emission vessels, allowing shipping companies to trade over-compliance credits from e-fuel ships. On top of that, safeguards are required to prevent unintended consequences, so fossil gas is not included in the list of eligible fuels.



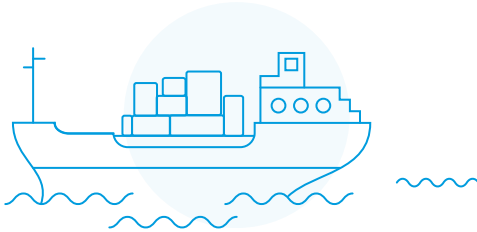
We are dedicated to finding the best possible solutions for your business.



# INSIGHTS BY INDUSTRY LEADERS



We have asked acknowledged leaders of the maritime industry to share with us their insights into **what challenges they consider as primary in the shipping industry in Cyprus** and **what else needs to be done to elevate Cyprus to the top ship ownership and registration hub globally.**



**Mark O'Neil**  
Columbia Group CEO/President

**Q:** In your opinion, what are the primary challenges of the shipping industry in Cyprus?

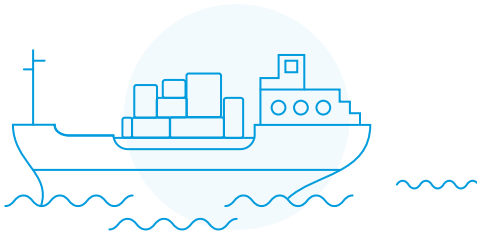
The challenges come from other maritime hubs and clusters that want to capitalize on the opportunities that come with that description. So obviously Singapore leading the charge, Athens, London, Dubai, and some of the Middle Eastern countries who want a slice of the action and want to compete for the business that goes with it. So, there are other very dynamic clusters out there that will be wanting to take business away from Cyprus. You also have the ongoing Turkish situation which makes it more difficult for vessels to be registered under the Cyprus flag, but not impossible, and that is a situation that has itself stabilized and with which Southern Cyprus has gotten used to dealing with. So, the Turkish issue is still there, although not a threat, but just something that has to be worked around from a regulatory and operational point of view.

**Q:** What else needs to be done to elevate Cyprus to the top ship ownership and registration hub globally?

Cyprus must continue to modernize and continue to offer advantages to the players in this space. It has to remain attractive to expats, to highly qualified people coming from abroad, so that we attract these highly skilled individuals into our organisations, and they will then be the differentiating factor and raise the overall standard within those organisations. So, from a taxation point of view to a schooling point of view, to a connectivity point of view, Cyprus has to keep raising its game to attract talent and ensure that that talent comes and stays in Cyprus.



# INSIGHTS BY INDUSTRY LEADERS



**Vangelis Tsangarides**  
Chief Operations Officer  
UW Group

**Q:** In your opinion, what are the primary challenges of the shipping industry in Cyprus?

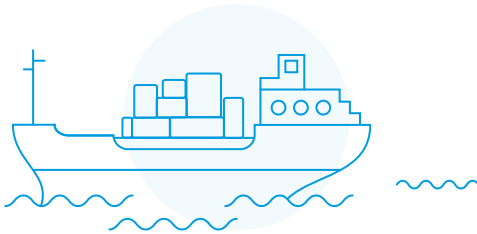
The Cyprus shipping industry faces a mix of opportunities and challenges. Brexit and Eastern Mediterranean natural gas exploration have created potential, but key trends are still reshaping the sector. Rapid tech advancements, environmental concerns, and the push for decarbonization demand significant adaptation – but in the meantime, shipowners are grappling with the dilemma of investing in vessels that might quickly become outdated. The next five years promise innovative developments in satellite communication and disruptive technologies, enhancing overall safety and efficiency within the industry. Digitalization is crucial for competitiveness, though human expertise remains irreplaceable. Attracting high-calibre young talent to maritime careers is becoming increasingly difficult. Arguably, improved flight connectivity is vital to boost Cyprus's maritime centre. The long-standing Turkish embargo due to the Turkish Occupation of Cyprus-flagged ships at Turkish ports remains a significant challenge.

**Q:** What else needs to be done to elevate Cyprus to the top ship ownership and registration hub globally?

To position Cyprus firmly on top among the world's leading maritime hubs, a comprehensive strategy is necessary. First and foremost, investments in modern infrastructure and technology are paramount to enhance port efficiency and safety. Advocating innovation and sustainability, embracing greener shipping practices, and fostering research and development initiatives will further elevate its standing. Fortifying its legal and regulatory frameworks to meet international standards and safeguard stakeholder interests is equally essential. Cyprus's ascent necessitates a global outlook, entailing closer collaboration with other key maritime hubs and organizations such as the European Union, the International Maritime Organization, and the United Nations Conference on Trade and Development. Equally pivotal is the task of bolstering its reputation through effective marketing, transparency, and accountability while upholding firm ship registration standards to attract reputable owners. In addition, nurturing a skilled maritime workforce through education and training programs is absolutely a requisite, encompassing seafarers, maritime lawyers, and technical experts.



# INSIGHTS BY INDUSTRY LEADERS



**Nicolas Michaelides, ACA, MSc**  
Area Finance Director, North & East  
Europe at Wartsila  
Company Director  
Wartsila Cyprus Ltd

**Q:** In your opinion, what are the primary challenges of the shipping industry in Cyprus?

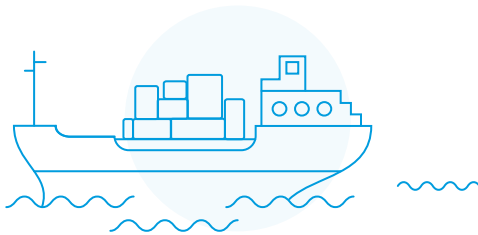
As an island with a strategic geographical position Cyprus is traditionally a maritime centre. When Global and local conditions raising challenges are effectively tackled then Cyprus can further establish a key position within the industry globally. Environmental concerns is a global hot topic that does influence the island and shipping industry. As sustainability and environmental regulations become increasingly stringent worldwide, the industry must adapt to reduce its carbon footprint. This can be done through investing in innovative technologies, environmentally friendly and sustainable practices to both comply with the regulations and also improve its vessels' performance. The industry must adopt digitisation through innovations. The maritime sector will become more effective, efficient and competitive by adopting digital solutions and disruptive technologies. Research and development must be encouraged, to foster collaboration between industry players and technology providers. Lastly investing in cutting-edge port infrastructure and optimizing transportation routes will immensely contribute to the industry's success.

**Q:** What else needs to be done to elevate Cyprus to the top ship ownership and registration hub globally?

Cyprus can further elevate its status as a top ship ownership and registration hub globally by focusing on the establishment of sustainable technologies and services through innovation to help companies gain efficiencies while being environmentally responsible. A favourable legal and regulatory framework needs to exist, and investments need to be made in the maritime infrastructure while all the services offered, the pros and the cons are actively promoted globally. Laws and regulations regarding ESG, ship ownership, registration and taxation must be modernised and aligned with International Standards and best practices. Further investments in port facilities and shipyards will help the island attract larger vessels and shipowners, which will enhance the competitiveness of Cyprus in the global shipping market. The establishment of training centres specialising in maritime education offering specific training programs will create a bank of skilled and qualified workforce that meets the demands of the ship ownership and registration industry.



# INSIGHTS BY INDUSTRY LEADERS



**Andreas Vasiliou**  
Crew Manager  
ZEABORN Ship Management (Cyprus) Ltd

**Q:** In your opinion, what are the primary challenges of the shipping industry in Cyprus?

In its dynamic and ever-changing environment, the global shipping business, which combines global and local activities, faces a number of difficulties. These difficulties include, among others:

1. **Environmental Concerns:** The business is seeing increased demand for green practices and decarbonization.
2. **Cybersecurity and Digitalisation:** Cybersecurity is a key problem as the sector gets increasingly digital.
3. **Geopolitical Developments:** Geopolitics on a global scale can affect shipping operations, necessitating flexibility.
4. **Staff Shortages:** Ongoing conflicts, like the one in Ukraine, have made it more difficult to get staff, which has a negative influence on service quality and forces businesses to look for alternate personnel nationalities.
5. **Regulatory Complexity:** The need for advanced agreements and inspections has increased due to COVID-19 and the evolving laws of the marine administration.
6. **Technological Advancement:** Information, communication, and technology (ICT) innovation promotes international trade but challenges businesses to adapt and maintain competitive continuously.

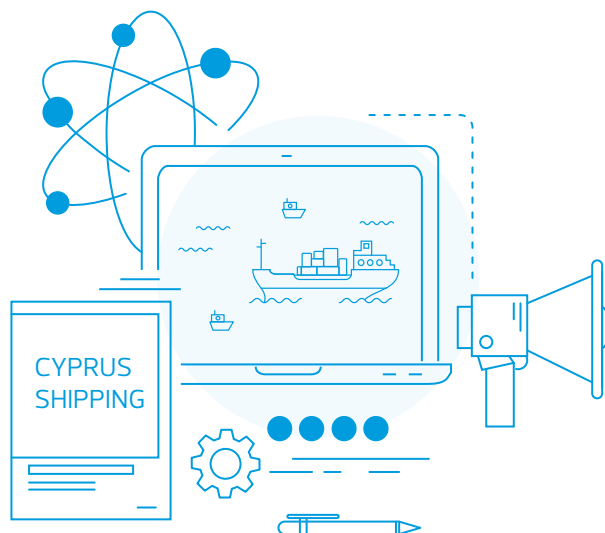
Operating in many markets requires a wide range of customer base, intricate product portfolios, and a high level of knowledge.

**Q:** What else needs to be done to elevate Cyprus to the top ship ownership and registration hub globally?

Cyprus needs to examine the current and future trends in relation to the economic environment, the challenges, and best practices. These could be summarised in the following three pillars:

- **Flag State's point of view:** The continuous training and development to enhance knowledge and skills in combination with technological advancements will facilitate the monitoring and control of the shipping sector by increasing ship inspections, consultations and audits to control security and support a compliant framework for the Cyprus maritime industry. This will enable the Cyprus maritime industry to respond better to risks and dangers and potentially will be able to market itself as "a safer and environmentally-friendly" flag of choice.
- **Shipowners-ship managers:** The rising cost is another great issue the shipping industry faces nowadays. The industry faces a range of cost pressures, including higher fuel prices, increased labour costs, labour supply of crew, and rising regulatory compliance costs.
- **Cyprus economic environment:** All compliance updates affect technological advancements, leading shipping towards digitalisation. Responding to changing tax laws and regulations has become a top priority in achieving greater efficiency.





## FINAL REMARKS

Cyprus will always hold a prominent position in the world's maritime industry due to the island's distinct characteristics.

The creation of policies to direct the sector towards achieving the intermediate emission reduction target for 2040, the overall net-zero emissions target for 2050, and the 2030 target to cut emissions by at least 55%, require hard work and contributions from experts to ensure that the policies will achieve their goals while remaining realistic and feasible, allowing the shipping industry to support the global economy and global progress.

Cyprus has enacted all relevant laws. The availability of compliant fuels, the effects on ship technicalities, and the need to train crews on proper documentation are just a few of the many factors that constitute the challenges for the years to come.

Cyprus changed its registration rules for ships, putting its faith in the higher standard of ships and the global system for tracking how well they are performing in terms of safety and pollution prevention measures.

The taxation of shipping activities and the environmental incentives are two other intriguing innovations that provide shipowners who have been impacted by the recent financial crisis and global recession with appealing taxation options.

The vision is to further grow and strengthen the maritime complex in Cyprus, so that all organisations pertaining to the Cyprus shipping industry can enjoy a full range of quality services of both the public and private sectors.

It is momentous never to take Cyprus' shipping accomplishments for granted. The sector is consistently demonstrating its high value and the island is confident that shipping will continue to make a sizable financial contribution to the Cyprus economy in the form of international and local direct investments. Remarkably the island has primarily laid the foundations to stand as a main contributor to the minimisation of the climate change ensuring Europe's resilience and the world's green sustainable future.

If you need any assistance or seek our experts' opinion, please feel free to [contact us](#) directly. We would be more than happy to support you in any possible way we can.



Key contact: [Nicolas Agathocleous](#)  
Partner, Board Member, Head of Advisory Services  
E: [n.agathocleous@rsmcyprus.com](mailto:n.agathocleous@rsmcyprus.com)



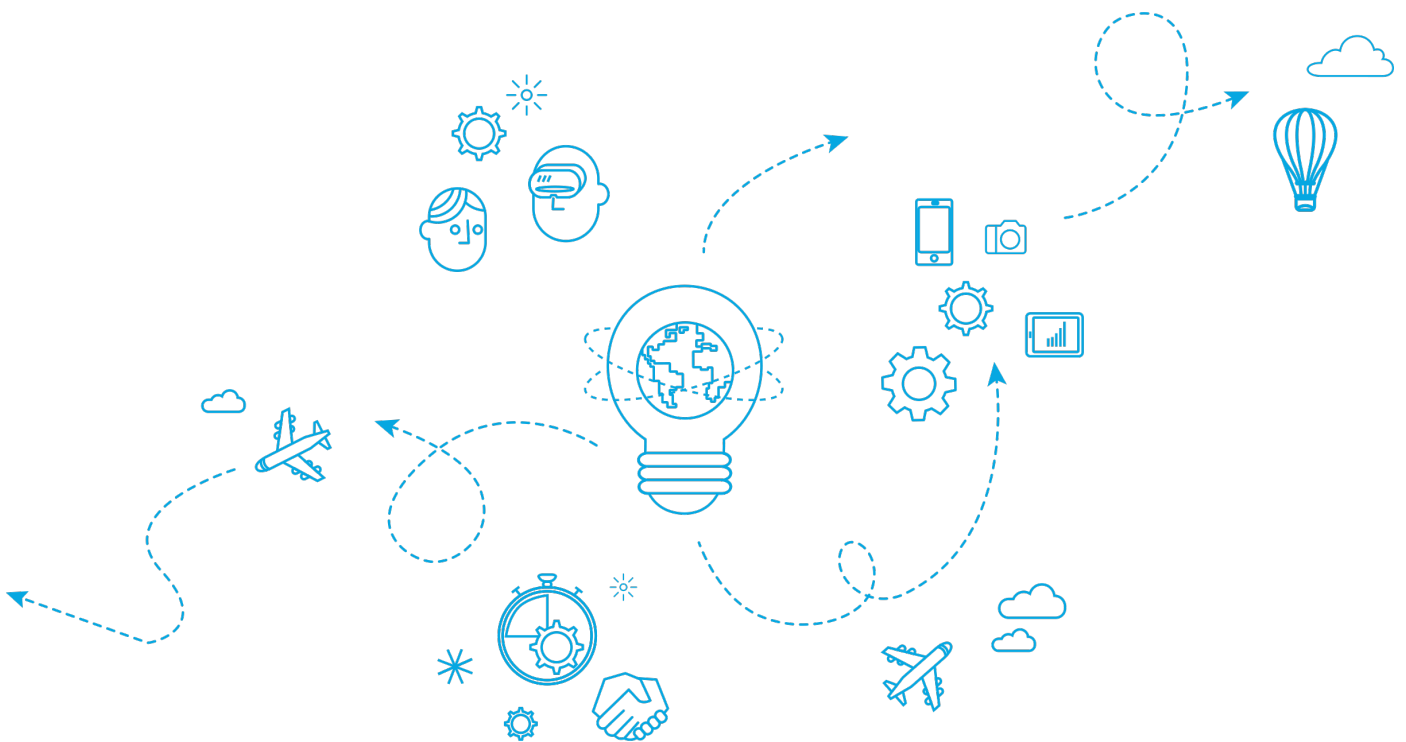
Key contact: [Anna Mantoyiannakou](#)  
Advisory Manager  
E: [a.mantoyiannakou@rsmcyprus.com](mailto:a.mantoyiannakou@rsmcyprus.com)



Supporting and  
empowering you  
every step of the way.







# THE POWER OF BEING UNDERSTOOD

**EXPERIENCE THE POWER OF BEING UNDERSTOOD** is the principle we support and follow.

Whether serving public sector organizations, owner-managed businesses, private individuals or companies with overseas operations, our purpose is to assist and advise them to move forward with confidence and realize their business objectives.

We aim to fully understand your needs and business requirements to deliver the best possible advice,

guidance, and solutions based on your industry requirements, market trends, business objectives and strategies.

Building strong long-term relationships with our clients and being part of their business to support them on what matters the most is the norm we follow.

Mutual respect, integrity, teamwork, confidentiality, stewardship and delivering excellent quality services are the core values we serve and apply.



# WHO WE ARE

RSM Cyprus is amongst the leading providers of professional services, offering a comprehensive range of assurance, tax and consulting services with presence in Limassol, Paphos and Nicosia.

Over the years of our business operations, we provided our services to local and international clients across various industries, i.e. tourism, manufacturing, energy, real estate, shipping, insurance, retail, trading and others.

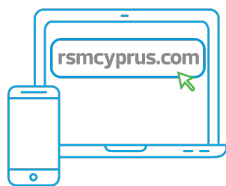
From the initial years of our foundation, we follow a proactive management approach that aims to effectively and efficiently address the challenges of the fast-paced business environment of the local and international market.

RSM Cyprus is part of RSM International, the 6th largest international audit, tax and consulting network globally, with firms in over 120 countries, including the world's top 40 major business centres.

As RSM, we have a workforce of 57.000 people and 830 offices across the regions of Africa, Asia Pacific, Europe, Latin America, MENA and North America.

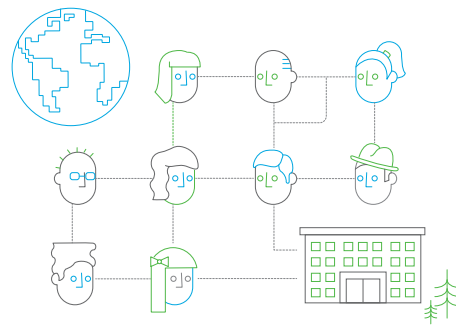
The primary industries we provide our services are:

- Shipping
- Energy
- Financial services
- Manufacturing
- Tourism
- Real estate and construction
- Retail and consumer products
- Information communication and technology



## Assurance services

Responding to today's business needs, we are constantly investing in the improvement of control methods while at the same time we follow the developments of each sector closely. Our extensive market knowledge combined with our audit experience enables us to provide a transparent and unbiased view of your company's operations according to International Financial Reporting Standards and International Accounting Standards.



## Tax Services

In a rapidly changing environment, we provide customised tax advisory solutions. Our tax planning advisors have the knowledge to identify and define your business and personal tax obligations according to tax regulations. Thus, they are able to assist you in designing tax-efficient corporate structures by considering your specific requirements, industry and business type.

## Consulting Services

As one of the leading audit, tax and consulting firms, we are able to identify and prioritise the issues you need to solve while tackling industry challenges and mitigating future risks. Therefore, our financial consultants offer a broad range of consulting and business planning services, including, amongst others, Mergers and Acquisitions, business development and planning, business evaluation, restructuring, insolvency, etc.



# RSM Cyprus Partners and Board Members



**George Themistocleous**  
Managing Partner, CEO



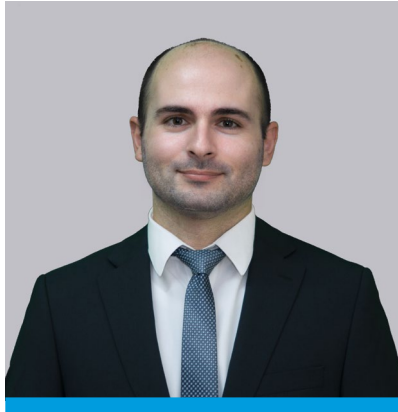
**Nicolas Agathocleous**  
Partner, Board Member



**Nicos M. Mouzouris**  
Partner, Board Member



**Marios Charalambides**  
Partner, Board Member



**Sotiris Anastasiou**  
Partner, IFRS Expert



**Melina Menelaou**  
Partner, ISA Expert



**Iacovos Themistocleous**  
Board Member, Tax Manager



# RSM Cyprus Business Insights & News

The RSM Cyprus Business Insights and News is the most direct way to receive potential changes, insights and news of the business environment that may affect your personal affairs or your company's operations.

When there are important news and information about:

- Economic and corporate insights
- Consulting insights
- Tax news
- RSM news
- Financial Services and regulatory updates
- HR advisory

our professional assurance, tax and consulting advisors of RSM Cyprus will share them with you and be available to discuss your concerns and questions by arranging a private consultation.

Please select the areas that best fit your needs from the provided options, and rest assured that your information will not be shared with anyone else or used for any other reason except the ones specified.

At any moment, you can change your preferences by following the link that is always available at the footer of the RSM Cyprus Business Insights and News.



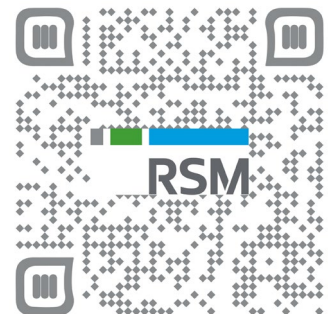
Helping you navigate  
what's in your way, so  
you can lead the way



Subscribe  
<https://bit.ly/RSM-Cyprus-subscribe>



Scan  
QR Code



## **RSM Cyprus LTD**

### **LIMASSOL OFFICE**

131, Gladstonos str, Kermia Court, 2<sup>nd</sup>  
floor, 3032, Limassol, Cyprus

T: +357 25 204 000

### **PAPHOS OFFICE**

4, Isavellas Katholikis str., Office 2, 8025,  
Anavargos, Paphos, Cyprus

T: +357 26 811256

### **NICOSIA OFFICE**

36, Georgiou Griva Digeni Avenue & 5,  
Deligiorgi street, Lapithio Tower,  
5th floor, 1066, Nicosia, Cyprus

T: +357 22 730 416

**E: [info@rsmcyprus.com](mailto:info@rsmcyprus.com)**

**W: [rsmcyprus.com](http://rsmcyprus.com)**

RSM Cyprus Limited is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2023