



## The Cyprus Yacht Leasing Scheme

### 'Special Yacht Scheme'

The guidelines issued by the Cypriot VAT authorities with regards to the registration of yachts, simple to comprehend and apply, make Cyprus one of the most attractive jurisdictions in the EU in this area, now reducing the effective VAT rate for yacht registration to as low as **2.42%**, through the use of the Yacht Leasing scheme.

#### General

This special regime applies to yachts owned by a Cyprus company which are leased to physical or legal persons. The purpose of this scheme is to determine the percentage of time a yacht spends within the EU based on the yacht size and type and apply VAT according to this percentage.

#### Interpretation of the term "leasing a yacht" and VAT treatment

For the purpose of this scheme a yacht lease agreement is an agreement under which the lessor, being the owner of the yacht, for a certain consideration, contracts the use of the yacht (leases the yacht) to the lessee.

For Cypriot VAT purposes the lease of a yacht is subject to the standard VAT Rate (19%) to the extent that the leased yacht is used within EU waters.

However, further to the Yacht leasing scheme, there is no longer need to keep records (log books) as to the time the yacht is used within the EU. Instead, the relevant percentage will be calculated based on the yacht's size and type (motor or sailing boats), in the manner indicated below:

**Table A: Motor boats**

Boat Length	Percentage (%) of use within EU	VAT charge
Longer than 65 meters	10%	2.42%
Between 45.01 and 65 meters	15%	3.40%
Between 24.01 and 45 meters	20%	4.37%
Between 14,01 and 24 meters	30%	6.31%
Between 8,01 and 14 meters	50%	10.21%
Up to 8 meters	60%	12.16%
Yachts only allowed to be used within protected waters	100%	19%

## Table B: Sailing boats

Boat Length	Percentage (%) of use within EU	VAT charge
Longer than 65 meters	10%	2.42%
Between 45.01 and 65 meters	15%	3.40%
Between 24.01 and 45 meters	20%	4.37%
Between 20,01 and 24 meters	30%	6.31%
Between 10.01 and 20 meters	50%	10.21%
Up to 10 meters	60%	12.16%

### Conditions

In order for the Yacht scheme to apply ALL of the following conditions need to be met:

- a.** A lease agreement must exist between a Cyprus company and any legal or natural person, irrespective of origin.
- b.** The yacht should sail in Cyprus waters within one month from the commencement of the lease agreement.
- c.** The initial contribution from the lessee to the lessor must be at least 40% of the yacht's value.
- d.** Lease payments are required to be monthly and the lease period cannot exceed 48 months.
- e.** The lessor is expected to make a total profit from the lease agreement of at least 5% of the yacht's original value. In the year the lease agreement commences the total amount of lease payments on which VAT is calculated is increased by half of the calculated profit.
- f.** The lessee may purchase the yacht at the end of the lease period and the final instalment which results to the transfer of the ownership of the yacht to the lessee cannot be less than 2.5% of the yacht's value and is subject to the standard VAT rate (19%).
- g.** In order for the above percentages to apply a prior written approval from the VAT Commissioner is required. Thus, an application must be filed to the VAT Authorities accompanied by the lease agreement and documentation supporting the purchase price/value of the yacht.

For more information, please visit our website dedicated on Yacht Registrations [www.yachtregistrationcentre.com](http://www.yachtregistrationcentre.com)



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