

CYPRUS



Section	Category
Performance	C
Procedures	B
State Participation	C
Legal	C
Welfare/Rights	D



ADMINISTRATION

GENERAL	
Responsibilities	Wide range of responsibilities
Crewing	15% must be Cypriots
Location	Register located within boundaries of state
Operation	State-run register
STCW status	Appears on White List
REGISTRATION	
Eligibility	Open register
Fees	Very Low
Taxation	Low tax regime

General.

The Cypriot government considers the maritime sector as a way of attracting foreign capital to the island in the form of: fees payable on registrations; company incorporation fees; establishment of ship management companies; and increased employment, both on- and offshore. The Cyprus register is now the fifth largest in the world. Due to adverse criticism, the administration has adopted various measures to improve its record, including the ratification of certain international conventions and the imposition of an age limit on vessels.

Responsibilities.

A complete and up-dated list of the Cypriot merchant shipping legislation in force may be found at the administration's web page www.shipping.gov.cy. Furthermore, with regards to crewing, an English translation of the Merchant Shipping (Masters and Seamen) Laws, 1963-1984, can be found in a booklet published by the administration. The principle maritime law, the Merchant Shipping (Registration of Ships, Sales and Mortgages) Law (1963), is substantially based on British Merchant Shipping Acts. The administration employs 85 staff, 26 of whom are fully qualified Marine Surveyors. Additionally, it employs the services of 16 ship inspectors based in ports around the world.

Crewing.

Whilst, in theory, 15% of all crew members must be Cypriots, due to the scarcity of adequately trained Cypriots this condition is rarely observed. In order to facilitate the safe crewing of ships, the Government has concluded bilateral agreements with certain labour supplying countries¹, setting out the provisions for the employment of properly qualified seafarers. Safe crewing levels are stipulated in the relevant regulations.

Location.

The registry of shipping is located in Limmasol, Cyprus.

Operation.

The registry is part of the Department of Merchant Shipping, which is under the overall control of the Ministry of Communications and Works.

Certification/Training.

Even though there are relatively few Cypriot seafarers, the administration provides training, at the Higher Technical Institute, for Marine Engineer Officers in charge of an engine watch. There are also special arrangements with the Hellenic Republic for Cypriot nationals seeking to serve as officers of any rank and in any category to receive free training at Greek maritime training institutions. The administration has also approved a further six training establishments within Cyprus, and estimates that 10-15% of seafarers employed on Cypriot flagged vessels have received training at one of the approved institutions. Cyprus appears on the IMO White List.

Registration – eligibility.

A vessel may be registered in Cyprus if more than one half of the shares of the vessel are owned by:

- A Cypriot
- A corporation established and operating under, and in accordance with, the laws of Cyprus, and having its registered office in the republic
- A corporation incorporated outside Cyprus, in which the controlling interest is vested in Cypriots (physical persons), provided it is specially authorised by a decision of the Council of Ministers of the Republic

In the light of these regulations, all non-Cypriot owners wishing to register their ships on the Cyprus register are required to incorporate a company in Cyprus which will either acquire the ship in its name, or bareboat charter the ship.

Parallel registration of a vessel is allowed for a fixed period of time, during which the vessel may continue to be registered in its current foreign registry, although the following conditions must be fulfilled:

¹ Egypt, Philippines, Poland, Russia, Sri Lanka, and the CIS.

- The vessel must be bareboat chartered to a Cypriot company;
- The laws of the vessel's initial foreign flag must allow parallel registration;
- The written consent of the foreign registry, the owners, and the mortgagees must be submitted to the Registrar of Cyprus ships.

Fees.

Fees for cargo ships are as follows:

- Up to 5,000 GT, 10 cents (\$ 0.15) per ton
- Between 5,001 and 10,000 GT, 8 cents (\$ 0.12) per ton
- For each additional ton over 10,000 GT, 4 cents (\$ 0.06) per ton
- The minimum fee is CY£125 (\$ 188)
- The maximum fee is CY£3,000 (\$ 4,501)

Taxation.

Shipping companies earning income abroad have complete tax exemption from offshore profits, and there is no capital gains tax. Cyprus has double tax agreements with various countries² which, in most cases, provide for no taxation.

A tonnage tax is charged on the following basis:

- A fixed amount of CY£100 (\$ 150)
- For each ton up to 1,600 an additional 26 cents (\$ 0.39)
- For each additional ton between 1,600 and 10,000GT, an additional 16 cents (\$ 0.24)
- For each additional ton between 10,000 and 50,000GT, an additional 6 cents (\$ 0.09)
- For each additional ton over 50,000GT, an additional 4 cents (\$ 0.06)

This basic charge can be altered by two factors, namely:

Age of ship

- Up to 10 years old (multiply fee by 0.75)
- 11-20 years (multiply fee by 1)
- 11-20 years (multiply fee by 1.3)

Employment of Cypriot crew members.

- If members of the crew are Cypriot citizens, then a percentage of the tonnage tax paid may be refunded for each month that they are employed on board the vessel.

² Austria, Bulgaria, Canada, Czech Republic, Denmark, Egypt, France, Germany, Greece, Hungary, India, Ireland, Italy, Kuwait, Malta, Norway, People's Republic of China, Poland, Romania, Russia, Slovak Republic, Sweden, Syria, UK, USA and the former Yugoslavia.

Additional Salient Information

The Cypriot regulations accept international port state control action as *prima facie* cause for deleting ships from its registry, although Cypriot surveyors still have the final decision rights over whether individual vessels should be removed or not.

Cyprus's attempted accession to the EU is a clear and transparent influence over the content and actions of the Cyprus maritime regulatory bodies. The EU has not only expressed concerns over the quality of the ships on the register, but has also voiced misgivings as to the taxation system offered to shipowners who register their vessels in Cyprus.

In 1999, Cyprus increased the vetting of its tonnage by 120% (from 166 to 365) and reported a significant drop in casualties in that year. Additionally, none of the ships inspected by Cypriot government inspectors were detained by port state control authorities during a subsequent six month period.

As reported in Lloyd's List (06-March-2002), Cypriot officials have taken the decision to withdraw safety management certificates from operators who fail to pay seafarers.

Age Limitations (applied 01-Jan-2000).

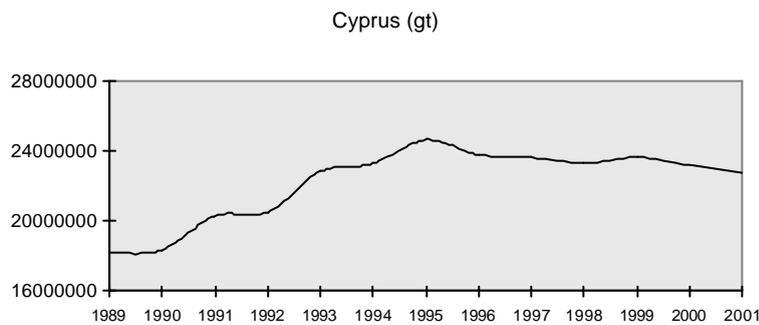
- Ships under 15 years old must undergo a special entry survey.
- Tonnage over 17 years old only is eligible if operated by an ISM certified company.
- Ships in the 20-23 years age bracket will be accepted with the proviso that they are operated by a Cyprus-based ship manager and registration will be contingent on subsequent annual inspections at the owner's expense.
- Absolute ceiling of 20 years for new registrations of coasters.
- Passenger vessels more than 15 years old face annual special inspections.
- Ships over 25 will only be considered if managed from Cyprus.
- Native Cypriot beneficial owners no longer receive special dispensation to register ships more than 20 years old.

In an effort to reduce the problem of fraudulent certificates, the Cyprus maritime administration will not accept certificates issued in Georgia or Ukraine to non-nationals of these countries (Lloyds List, 11-October-2002).



FLEET

STATUS (2001)	
Number of Ships	1,407
Gross Tonnage	22,761,778
Average Age (years)	16
Foreign Ownership (%)	83.6
Casualty Rate (Vessels) (%)	0.569
Status (ITF)	FOC
TRENDS 1989-2001	
Number of Ships	Fluctuating
Gross Tonnage	Fluctuating
Average Age	Stable

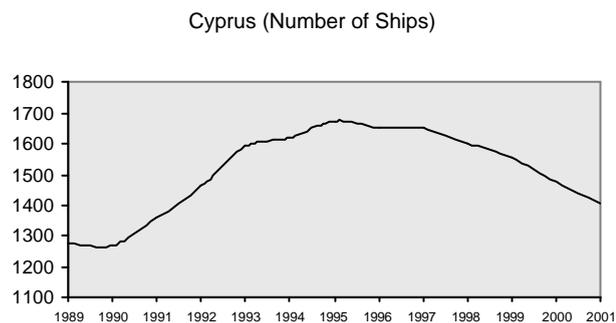


(Source: Lloyd's Register-Fairplay, World Fleet Statistics)

Over the period 1989-2001, Cyprus's register exhibited a net increase in tonnage of 25.5% (from the 1989 level of 18,134,011 gt to 22,761,778 gt in 2001). In the period 1989-1995 there was a steady increase of 36.0%, reaching its highest

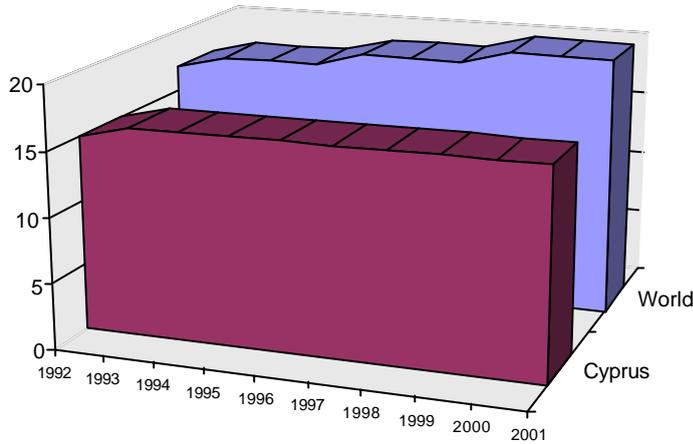
level of 24,652,547 gt in 1994. Since 1995 there has been a small, but noticeable, downward trend with tonnage registered between 1995 and 2001 displaying a 7.7% decrease.

In terms of numbers, the register has shown a similar trend with a net increase of 10.1% over the same period (1989:1278 ships, 1999: 1407). The increase over the interval 1989-1995 was 31.0% and the subsequent decline from 1995-2001 represented a decrease of 15.9%.



(Source: Lloyd's Register-Fairplay, World Fleet Statistics)

The age profile of the fleet remained highly stable throughout the period 1993-2001. The register shows a static average age of 16. The average age remained consistently below the world average throughout the period 1992-2001.



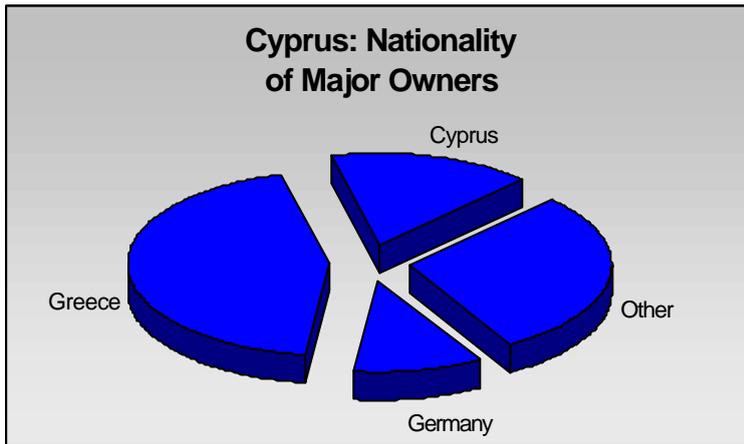
(Source: Lloyd's Register-Fairplay, World Fleet Statistics)

Structure of Beneficial Ownership (April 2002)

Country	Number of Ships	Percentage of Cyprus Registered Ships
China, People's Republic of	12	0.9
Cuba	12	0.9
Cyprus	229	16.4
Germany	144	10.3
Greece	617	44.1
Hong Kong, China	13	0.9
Japan	26	1.9
Latvia	15	1.1
Netherlands	33	2.4
Norway	28	2.0
Poland	19	1.4
Russia	74	5.3
U.A.E. (Sharjah)	30	2.1
Other	104	7.4
Missing/Unknown	44	3.1
Total	1,400	100.0

(Source: Lloyd's Register-Fairplay, Register of Ships on CD-ROM)

Ships that are beneficially owned and controlled in foreign countries comprise 83.6% of the total fleet.

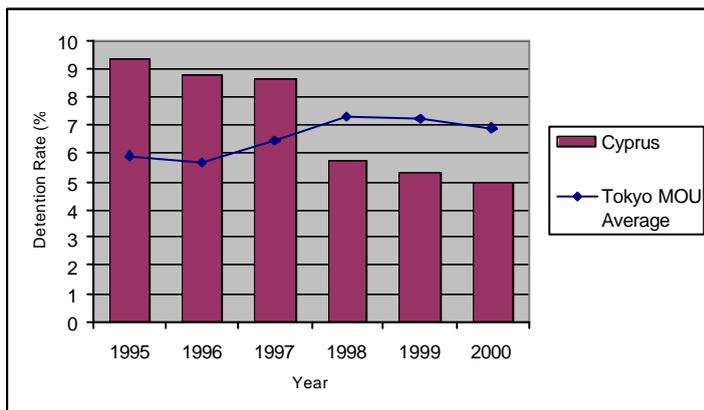


(Source: Lloyd's Register-Fairplay, Register of Ships on CD-ROM)

There is a concentration in ownership on three nations, Germany, Greece, and Cyprus, which together account for 70.7% of the total number of ships registered to Cyprus.

Port State Control

Tokyo MOU



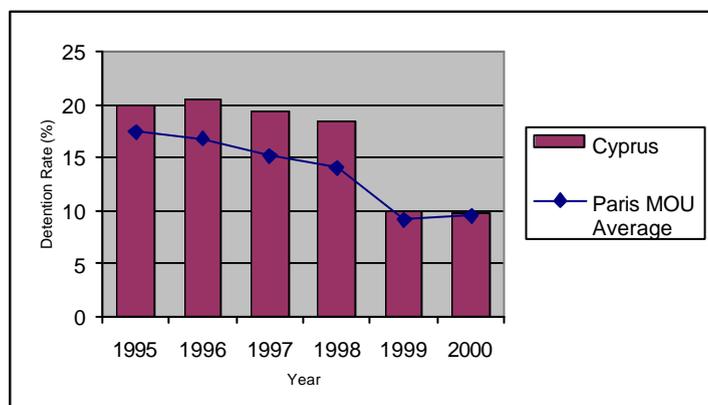
(Source: Tokyo MOU, Annual Reports)

Cyprus's detention rate showed an improvement from 1995 to 2000 with a reduction of 4.3 percentage points from 9.3% to 5.0%. In the period 1995-1997, the detention rate exceeded the regional average, by a level of between 2.3-3.4 percentage points. In subsequent years, Cyprus has performed better than

the regional average by a level of between 1.6-1.9 percentage points.

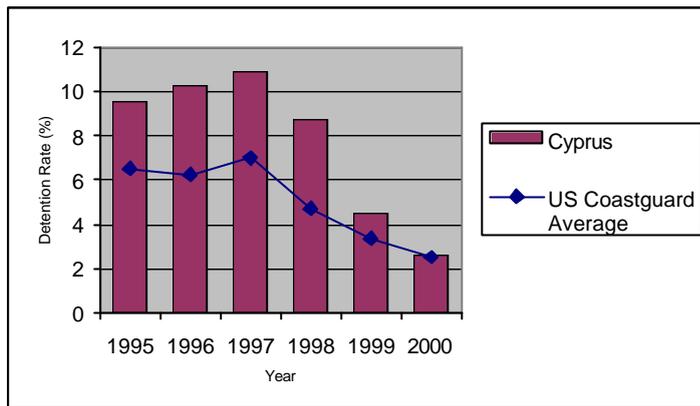
Paris MOU

Cyprus's detention rate showed an improvement from 1995 to 2000 with a reduction of 10.2 percentage points from 19.9% to 9.7%. In comparison with the regional rate, Cyprus has consistently exceeded the regional average by a level of between 0.2-4.4 percentage points.



(Source: Paris MOU, Annual Reports)

US Coastguard



Cyprus's detention rate showed an improvement from 1995 to 2000 with a reduction of 7.0 percentage points from 9.6% to 2.6%. In comparison with the regional rate, Cyprus has consistently exceeded the regional average by a level of between 0.1-4.0 percentage points.

(Source: US Coastguard, Port State Control Reports)

Summary of Individual MOUs: 2001 Reports (all rates refer to 2001 figures only)

TOKYO	
Detention Rate (%)	6.49
Regional Average (%)	7.76
Exceeds 3 year rolling average	No
PARIS	
Detention Rate (%)	8.85
Regional Average (%)	9.09
Status	Black List (medium risk)
US COASTGUARD	
Detention Rate (%)	2.52
Regional Average (%)	2.21
Status	Targeted



SEAFARERS

SEAFARERS	
Own citizen labour force participation (%)	0.1
Crew complaints ITF (No.)	751
Crew complaints Mission to Seafarers (No.)	77
Cases of Abandonment (1999-2000)	2
Average death rate per year (1997-1999) (%)	0.0895
Labour force records/statistics	Yes/Not at present
Health screening	None
Welfare provisions	Limited
Interest groups	Yes

Labour force composition.

COUNTRY OF CITIZENSHIP	% OF SEAFARERS
Philippines	30
Russia	10
Ukraine	10
India	7
Greece	6
Poland	5
Romania	5
Croatia	4
Bulgaria	3
Georgia	2
Yugoslavia	2
Turkey	2
Latvia	2
Italy	2
Indonesia	1
Pakistan	1
Cuba	1
China	1
Sri Lanka	1
Others	5

(Source: SIRC, Seafarers Database)

Own citizen labour force participation is very low, with only 0.1% of seafarers serving on Cyprus registered ships being nationals of that country. There is a concentration with the labour force on seven labour supplying countries, Philippines, India, Russia, Ukraine, Greece, Poland and China, which together account for 77% of seafarers. However, Filipino is the dominant nationality in the labour force at 30%.

Crew complaints: ITF.

During the period 1994 to 1999 the ITF took 5397 actions. Of these actions, 751, or 14%, of the total related to Cypriot flagged vessels. If an even distribution of actions over the 6 years is assumed, then the number of actions related to fleet size in 1999, represents 8% of Cypriot flagged vessels.

Crew complaints Mission to Seafarers.

During the period 1994 to 1999 the Mission to Seafarers dealt with 1549 'Justice' cases, and 1110 'Welfare' cases. In the majority of both the former (61.3%), and the latter (95.9%) the flag of the vessel has not been recorded. In those cases where the flag is known, there were 72 Justice case and 5 Welfare cases in respect of Cypriot flagged vessels. The main problems associated with these cases are shown in the table below.

Problem	Number of cases	% of total cases
Wages	37	48
Contractual problems	14	18
Living conditions	8	10
Illness	4	5
Discipline	3	4
Safety	3	4
Termination	2	3
Other	3	4
Missing	3	4
Totals	77	100

Abandonment.

According to the ITF, in the period 1999-2000 there were 2 cases of abandonment occurring on vessels appearing on this register. In the interval 1995-1998, there were 8 cases.

Abandoned seafarers are covered by the provisions within the Repatriation of Seamen (Ratification) Law of 1995 (Law number 12 (III)/95). There is a special provision for these purposes in the Department of Merchant Shipping's (DMS) budget.

Deaths.

According to the Cyprus administration, the number of deaths in the 5 year period 1995 to 1999 is as shown in the table below.

Year	Number of lives lost in vessel casualties	Number of lives lost in occupational accidents	Total lives lost
1995	5	2	7
1996	39	7	46
1997	51	5	56
1998	41	13	54
1999	13	11	24
Totals	149	38	187

According to the databases, during the three year period between 1997-1999, there were 86 occurrences of seafarers dying or being reported missing as a result of vessel casualties. This figure represents an annual average rate of 0.0895% of seafarers serving on board Cyprus flagged ships.

Labour force records/statistics.

At present the DMS only maintains records for Cypriot seafarers. However, over the last few years it has completed the analysis and design activities for a new computerised flag state administration system known as 'MARCOS' (Maritime Accounting Registration Control System), which will provide a set of five integrated modules covering:

- Vessel registration
- Flag/port control
- Crewing
- Incident management
- Electronic services.

The MARCOS system provides for a seafarer's register as required by STCW Convention Regulation I/9, and is expected to commence operation by early 2001 at a cost of \$6,000,000. At present the DMS does not publish labour force statistics for seafarers serving aboard Cypriot flagged vessels. These statistics may be provided to interested parties upon request once the MARCOS system becomes operational.

Health screening.

The DMS does not contribute in any way to health screening programmes for seafarers.

Welfare provisions.

No specific contributions for the welfare of seafarers exist, other than a provision in the DMS annual budget for the rehabilitation and repatriation of distressed seafarers.

Interest groups.

The Missions to Seafarers operates two establishments in Larnaca and Limassol, whilst the Norwegian mission has an establishment in Ayia Napa.



LABOUR LAW

LABOUR LAW	
Rights of association/recognition	Yes/Yes
Right to strike	Yes
Access to arbitration	Yes
ITF agreement coverage	16%

Rights of association/recognition.

Cypriot Labour legislation gives all workers, except members of the police and military forces, the right to form and join trade unions. In terms of union density, approximately 70% of the Greek Cypriot workforce belong to trade unions; between 50-60% of Turkish Cypriot private sector workers, and all public sector workers, belong to unions. Union leaders have made claims that employers in the private sector are afforded the opportunity to discourage union activity because the enforcement of labour regulations is somewhat sporadic and the penalties prescribed for anti-union practices are very limited.

The legislation gives trade unions and confederations the right to organise and bargain collectively. In the public sector this practice is commonplace, but in the private sector it is somewhat less frequent. There is evidence of private sector employers seeking to establish 'company' organisations and then pressurising workers to join these quasi-union structures.

Right to strike.

All workers have the right to strike. However, a precedent was established in 1978 which gives employers the right to hire replacements for the striking workers, thereby limited the efficacy of strike action. The regulations permit the authorities in both Greek and Turkish areas to prevent strike action in services that are deemed essential; although this right is rarely exercised.

Access to arbitration.

When allegations of an infringement of collective bargaining agreements are made, the Ministry of Labour may be requested to investigate these claims. In both the Greek and Turkish Cypriot communities, parties to a dispute may request access to mediation services provided by the relevant authorities.

ITF agreement coverage.

16.0% of Cypriot flagged vessels are covered by ITF agreements.



COMPANY LAW

GENERAL	
Type of Company	IBC
Disclosure of Beneficial Owner	Yes, but confidential
Tax on Offshore Profits	4.25%
Average Incorporation Time	10 days
Cost of Incorporation	\$ 5,100
CORPORATE REQUIREMENTS	
Minimum Number of Shareholders	Two
Minimum Number of Directors	One
Bearer Shares Allowed	No
Corporate Directors Permitted	Yes
Company Secretary Required	Yes
Standard Authorised Share Capital	CYP 1,000 (\$ 1,500)
LOCAL REQUIREMENTS	
Registered Office/Agent	Yes
Company Secretary	No, but advisable
Local Directors	No
Local Meetings	No
Government Register of Directors	Yes
Government Register of Shareholders	Yes
ANNUAL REQUIREMENTS	
Annual Return	Yes
Submit Accounts	Yes
RECURRING GOVERNMENT COSTS	
Minimum Annual Tax/Licence Fee	N/A
Annual Return Filing Fee	CYP 7 (\$ 10.5)

Transparency of Beneficial Ownership.

The registration of a company in Cyprus requires the disclosure of the full details of the Beneficial Owner to the Cyprus Government. The company's file is available for public inspection at the Registrar of Companies. However, individuals who wish to circumvent this transparency and retain their anonymity may utilise nominee services. Cyprus's company regulations do not allow the issuance of bearer shares, thereby limiting the opacity of ownership. Regulations require that the structure of share ownership is revealed to the relevant authorities. Additionally, the government requires a register of directors.

Speed of Incorporation.

In 'tax haven' jurisdictions, the time taken for the incorporation of offshore companies ranges from 24 hours to 9 weeks (it is worth noting that the second highest time for incorporation is 6 weeks). The incorporation time for Cypriot offshore companies (IBC) is 10 days, placing it at the mid-point of the distribution of incorporation time. Entry into the Cyprus register of companies cannot be seen as the quickest and easiest option for the offshore investor, however the time scale is not excessively lengthy.

Cost of Incorporation.

The price of incorporation, duty and basic first year costs in a ‘tax haven’ jurisdiction varies from \$2,500 to \$16,850 (it is worth noting that the second most expensive is \$8,500). As with the time required for incorporation, company registration in Cyprus, costing \$5,100, places it in the middle level of the distribution.

Taxation Level on Offshore Earnings.

In contrast to the majority of ‘tax haven’ jurisdictions, within which offshore companies pay zero tax on offshore profits, Cypriot offshore companies pay 4.25% tax on offshore profits. It is this stipulation that renders Cyprus, in this market, a high cost jurisdiction.

Requirement for Annual Audited Accounts.

Since Cyprus offshore companies are required to pay tax on offshore profits, there is a requirement for these companies to produce both annual returns and audited accounts.

Required Presence in Jurisdiction.

As with the majority of ‘tax havens’, the legislation governing the incorporation of companies in Cyprus demands a minimal participation in the jurisdiction itself. The sole requirement is the maintenance of a symbolic presence in Cyprus through the means of a registered office or agent. There are no Cyprus-residency requirements for the company secretary or directors, and there are no additional requirements for formal company meetings to be held in Cyprus.



GOVERNANCE

GOVERNANCE	
Politico-Economic Risk	Very Low
Corruption	Low
Harmful Tax Regime	No
Anti-Money Laundering Legislation	Generally sufficient

Government’s Relation to International Capital.

The Government of Cyprus recently introduced a more liberal policy on foreign direct investment; it expects that the new policy will gradually expand direct investment in Cyprus and help promote the island as an international business centre. A government pursuing this direction in policy is clearly committed to creating and maintaining a favourable environment for international capital. Policy decisions will reflect the importance of this, and governmental activity is highly influenced (tacitly or otherwise) by the needs of this highly mobile capital. Such influence may be countered, in part, by the European Union, to which Cyprus is attempting to gain full membership.

Politico-Economic Risk.

The 2001 International Country Risk Guide produced by the PRS group offers a composite Political, Financial, and Economic Risk rating. Cyprus ranks 25th out of the 140 countries analysed, its score of 74.3 (where 0=ubiquitous risk, 100=no risk) placing it in the Very Low Risk category. Cyprus's risk score has increased (i.e. there is a lower level of risk) since 2000, but the PRS group forecasts that this trend will reverse over the next five years, with a movement into the Low Risk category.

External Assessment-OECD.

- Money Laundering.

The OECD-FATF note that:

Cyprus has a comprehensive anti-money laundering system. Concerns have been expressed on the specific issue of customer identification in respect of trusts. Cyprus intends to supervise lawyers and accountants engaged in financial activities.

- Harmful Tax Competition.

Although it conforms to factors 2, 3 and 4 of the OECD's tax haven criteria, the fact that non-resident companies pay tax on offshore earnings means that Cyprus does not appear on the OECD list of Harmful Tax Regimes.

Corruption.

Cyprus is not surveyed by Transparency International and therefore does not appear in the Corruption Perceptions Index. The 2001 International Country Risk Guide produced by the PRS Group rates the level of corruption within the political system and, on this measure, Cyprus scores 4.0 (where 0=highly corrupt, 6=highly clean).