

## Cypriot Tonnage Tax re-approved by European Commission for new 10-year period as of 1 January 2020

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On 16 December 2019, the European Commission (the Commission) approved under European Union (EU) State aid rules, among others, the extension of a tonnage tax and seafarer scheme in Cyprus.

The Commission assessed the Cyprus tonnage tax scheme under EU State aid rules, in particular its [Guidelines on State aid to maritime transport](#) (the Maritime Guidelines) and established that the tax scheme is in line with its interpretation of the Maritime Guidelines. In its application of the Maritime Guidelines, the Commission is determined to ensure consistency and equal treatment of shipping companies throughout the EU while at the same time making sure that any beneficial tonnage tax and seafarer schemes do not contravene internal market rules. The Commission ensures in particular that there is no spill-over of the favorable tax treatment of shipping companies into other sectors unrelated to maritime transport, that there is no discrimination against other EU or European Economic Area (EEA) State registries and that the aid does not exceed the ceiling set out in the Maritime Guidelines.

The Commission found that the Cyprus tonnage tax scheme complies with the rules limiting tonnage taxation to eligible activities and vessels. Furthermore, as regards taxation of dividends of shareholders, the Commission found that the Cypriot tonnage tax scheme ensures that shareholders in shipping companies are treated in the same way as shareholders in any other sector.

With respect to the seafarer scheme Cyprus has agreed to apply the benefits of its respective scheme to all vessels flying the flag of any EU or EEA Member State (instead of Cyprus-flagged vessels exclusively).

The Commission concluded that both the tonnage tax and seafarer schemes are in line with EU State aid rules, as they will contribute to the competitiveness of the EU maritime

transport sector and encourage ship registration in Europe, while at the same time preserving Europe's high social, environmental and safety standards and ensuring a level playing field.

The non-confidential version of the decision with more details is expected to be published shortly.

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