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 **CYPRUS SHIPPING**

MARITIME CYPRUS 2015

Cyprus shipping basks in healthy bank environment

The Cypriot economy and shipping industry have largely recovered from the effects of the 2013 crisis and subsequent bailout, says Themis Papadopoulos, president of the Cyprus Shipping Chamber. Much credit for this can go to recapitalized banks thanks to international investors and a stable and reliable tax regime.



What is the current condition of the Cypriot economy? Have the problems been overcome and, if so, how?

Generally, the Cyprus economy has performed better than expected in the last two years since the 2013 bail out.

Cyprus is a small and relatively flexible economy and has proven that it has the ability to adapt to a changing environment. The Government and the Minister of Finance in particular have managed to restore calm and bring confidence back to the economy. This can be seen both in the Government's ability to tap the international markets for short term funding and in the recapitalisation of the banks which has been successfully com-

pleted largely with funds from international investors rather than bail out money. I believe that this last point is particularly crucial. We do of course still have problems that need to be addressed, not least of which unemployment that needs to be brought down, but the fact that the banks are on a stable footing and slowly beginning to provide credit to the local market is a very encouraging sign. It is also pleasing to see that some necessary structural reforms have taken place and an orderly commencement of certain privatisations has begun with the announcement of the tender process for the concession of the Limassol port.

I would say that overall the financial crisis here in Cyprus, although not fully overcome, has been handled relatively well by the current administration.

From all appearances it seems that major Greek shipping enterprises are preparing to establish themselves in Cyprus. Is there really such a trend?

There are reports from various sources that Greek shipping companies are possibly considering, or at least preparing themselves, for the eventuality of establishing themselves in Cyprus. To what extent this materialises at the end of the day remains to be seen. My personal view is that since Cyprus offers itself as a shipping hub with favourable conditions for shipping companies to operate, it is a logical destination for anybody to consider, but at the same time I do not believe there will be a mass exodus of shipping companies leaving Greece.

Given the current economic climate, to what extent does the Cypriot flag ensure a ship's competitiveness?

With the financial uncertainty that surrounded the overall banking system of Cyprus, it is reassuring to note that amidst these developments the overall shipping operational and taxation infrastructure of Cyprus has remained intact and the Cyprus flag administration, through its Department of Merchant Shipping (DMS), continues its good work. The strength of the shipping taxation system is perhaps the main reason why the shipping companies remain fully committed to Cyprus as their base of operation and the Cyprus flag.

The Cyprus flag is a high quality flag, offering numerous advantages and benefits to its users, both in terms of quality and service as well as economic benefits.

Compared with other registries around the world, the registration fees of the Cyprus Registry are considered to be one of the most competitive internationally. The Cyprus flag is an EU flag classified in the White Lists of the Paris and Tokyo Memoranda of Understanding (MoUs), something which results in fewer inspections of the ships and less delays at the ports of both MOUs. With a con-

siderable number of maritime offices covering the leading shipping areas of the world, services are provided to Cyprus ships promptly, efficiently and effectively.

There are more than twenty five bilateral agreements of co-operation with countries in merchant shipping, through which Cypriot ships receive either national or favoured nation treatment in the ports of other countries. Those agreements with labour supplying countries provide for specific terms of employment and resolution of labour disputes, which are beneficial to both the ship owners and the seafarers. Treaties for the avoidance of double taxation with forty three countries are also in force.

The DMS, as part of the Cyprus maritime administration and the competent Government department for the administration of the Cyprus Registry, is continuously upgrading its services in order to offer a high standard of support to its flag users and maintain the reputation of the Cyprus flag as a 'quality flag'.

The Cyprus Registry also offers a range of economic benefits, such as a competitive and upgraded tonnage tax system. The tonnage tax system is in its own right, an innovative and a pioneering piece of legislation which updates the existing one and offers additional financial incentives to shipping activities in Cyprus, in full compliance with the relevant EU shipping taxation framework. It contains most of the favourable features found in tonnage tax systems of other traditional EU maritime countries, providing Cyprus with a competitive advantage. It extends the favourable benefits applicable to owners of Cyprus flag vessels and ship managers, to owners of foreign flag vessels and charterers. It also extends the tax benefits that previously only covered profits from the operation of vessels in shipping activities, to cover profits from the sale of vessels and dividends paid directly or indirectly from shipping related profits.

Any EU or non-EU ship operator may benefit from this very competitive shipping taxation system and also be able to have a quality EU flag on their ships. Furthermore, by setting up a shipping company tax resident in Cyprus and having an EU flag ship either owned, managed or chartered, then the whole set of shipping companies based in third countries (non-EU flag ships) can also enter the new Cyprus competitive tonnage tax regime. In addition, there is no income tax on the wages of officers and crew employed on Cyprus flag ships.

With regard to safety and pollution prevention, Cyprus has fully harmonised its legislation with that prevailing in the EU. With regard to the working and living conditions of seafarers onboard ships, Cyprus was one of the first ILO Member States to have ratified the Maritime Labour Convention (MLC) 2006 in 2012, fulfilling as such the Flag State's commitments under the Convention with respect to ships and seafarers under its jurisdiction. Taking also into account the escalation of piracy, the Cyprus Government in close cooperation with the Cyprus Shipping Chamber, introduced a pioneering piece of legislation which governs the use of armed guards onboard Cyprus flag ships, which has been officially

approved by the Cyprus Parliament and has been fully in force since 2012.

In addition, according to the findings of a recent study which was especially commissioned by the Minister of Transport, Communications and Works, Mr. Marios Demetriades, on the "Future of Shipping in Cyprus", for which the Cyprus Shipping Chamber contributed substantially and was very influential, a number of proposals have been put forward by the Chamber aiming at the development and implementation of a National Shipping Promotion Strategy. The Cyprus Shipping Chamber is confident that by introducing specific measures based on the aforementioned four pillars, Cyprus will be able to maintain a flexible, quality, user friendly and non-bureaucratic Registry that will encourage current and possible clients to register more ships.

As a result, Cyprus has set a new course taking a lead role bringing added importance to European as well as International shipping by expanding and developing Cyprus shipping and the flag even further with the aim of remaining competitive.

The most recent moves in the diplomatic arena have left some hope for light on the Cyprus issue. How much would the Cyprus shipping be affected by a mutually acceptable solution? Would it affect the issue of the embargo?

We acknowledge that the resumption of the negotiations for the solution of the Cyprus political problem has created a positive climate with enhanced dynamics, a development which the Cyprus Shipping Chamber believes should be exploited as far as possible. We are hopeful that the announcement of low-policy 'confidence building measures' from both communities in support of the negotiation process will pave the way and trigger the introduction of further high-policy confidence building measures, such as the full lifting of the Turkish embargo.

Overall I believe that a solution to the Cyprus problem will have tremendously positive consequences for both the Cypriot and Turkish shipping industries where there are many avenues for co-operation to be explored. The consensus view is that there will be a very positive impact on the economy of Cyprus as a whole.

What would be your advice for the Greek side? In what way can it break the deadlock? Is there, indeed, a "Cypriot formula"?

I believe that the realities of Cyprus and Greece are very different. The problems in Cyprus began as a result of the over extension of the banking sector that reached almost eight times the size of the economy. The problems in Greece have a different origin and it is logical to assume that it will likely involve different remedies. I do not think there is a 'one size fits all' solution but possibly there are some lessons to be learned from the things that Cyprus has done well over the past two years. I believe that everyone here in Cyprus wishes Greece well and would like to see it exit its current predicament as soon as possible.



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