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Tonnage tax: countries whose ships are subject to surcharge

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In order to promote its objective of improving the quality of Cyprus shipping, the Merchant Shipping (Fees and Taxing Provisions) Law 2010 imposes a surcharge on the tonnage tax payable on qualifying vessels registered in countries which appear on the 'grey list' or 'black list' of the Paris Memorandum of Understanding. Article 17(2) provides for a 30% surcharge payable by owners of ships registered in countries appearing on the grey list and a 60% surcharge for ships registered in countries appearing on the black list. Articles 27(2) and 40(2) provide that the corresponding surcharges are payable by charterers and managers, respectively.

On the basis of the annual report of the Paris Memorandum of Understanding for 2017, the Deputy Ministry of Shipping (DMS) has determined that the flags listed below are included in the relevant grey or black list for the purposes of calculating tonnage tax for 2018.

Grey list (30% surcharge)		Black list (60% surcharge)
Albania	Lithuania	Belize
Algeria	Malaysia	Bolivia
Azerbaijan	Mongolia	Cambodia
Bulgaria	Morocco	Comoros
Curacao	Russian Federation	Republic of the Congo
Egypt	Saint Vincent and the Grenadines	Dominica
Georgia	Slovakia	Honduras
India	Switzerland	Moldova
Islamic Republic of Iran	Syrian Arab Republic	Montenegro
Jamaica	Thailand	Saint Kitts and Nevis
Kazakhstan	Tunisia	Sierra Leone
Kuwait	Tuvalu	Tanzania
Lebanon	United States of America	Togo
Libya	Vietnam	Ukraine
		Vanuatu

Article 34(4) provides that ships under management flying a flag on the black list of the Paris Memorandum of Understanding will be deemed to comply with international and EU standards and consequently qualify for the tonnage tax system only if the technical and crew management of every such ship is performed entirely from an EU member state. If this requirement is breached, Section 54 empowers the DMS to impose penalties, including administrative fines and exclusion from the tonnage tax system.

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