

THE MERCHANT SHIPPING (FEES AND TAXING PROVISIONS) LAWS  
OF 2010-2020  
(Law 44(I)/2010 as amended by Law 39(I)/2020)

**The Tonnage Tax (Environmental Incentives) Order of 2024<sup>1</sup>**

Order issued pursuant to sections 9(1) and 13(1)

44(I)/2010  
39(I)/2020.

For the purposes of implementing the provisions of sections 9(1) and 13(1) of the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020 which provide for a reduction-discount of up to 30% on the Annual Tonnage Tax paid by owners of Cyprus ships and Community ships using mechanisms-equipment for the environmental preservation of the marine environment and the reduction of the effects of climate change,

The Council of Ministers, in exercise of the powers conferred on it under the provisions of sections 9(1) and 13(1) of the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010-2020 issues the following Order:

Short  
title.

1. The present Order shall be cited as the Tonnage Tax (Environmental Incentives) Order of 2024.

Interpretation.

2.-(1) In this Order, unless the context otherwise requires-

Official Journal of  
EU: L 132,  
21.05.2016,  
p.58.

"Directive (EU) 2016/802" means the European Union Act referred to as "Directive (EU) 2016/802 of the European Parliament and of the Council of 11 May 2016 relating to a reduction in the sulphur content of certain liquid fuels" as amended from time to time;

"Law" means *the Merchant Shipping (Fees and Taxing Provisions) Laws of 2010 - 2020*, as amended or replaced from time to time;

57 of 1989  
11(III) of 1995  
11(III) of 2001  
38(III) of 2003  
46(III) of 2004  
36(III) of 2005.

"MARPOL Convention" means the International Convention for the Prevention of Marine Pollution of 1973 and its 1978 Protocol, as amended, in their up-to-date version, ratified by *the International Convention for the Prevention of Pollution of the Sea from Ships (Ratification) and for Matters Connected Therewith (Amendment) Laws of 1989 – 2005*.

<sup>1</sup> **Editorial Note:** This Order was published in the Greek language in the Official Gazette of the Republic of Cyprus No 5858, Suppl. III(I), dated 23/02/2024. This is an "unofficial" translation into English prepared by the Shipping Deputy Ministry (SDM) and does not intend to replace any translation prepared by the Law Commissioner's Office.

According to Article 3 of the Constitution of the Republic of Cyprus, the official languages of the Republic of Cyprus are Greek and Turkish and therefore the present translation into English is **not the authentic version. The authentic and therefore legally binding version, is the Greek version of this Law.**

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128(I)/2011. "Recognised Organisation" means an organisation recognised in accordance with Regulation (EC) No. 391/2009 of the European Union and authorised by the Republic under the provisions of *the Merchant Shipping (Recognition and Authorisation of Organisations) Law of 2011*;

*Official Journal of EU: L 131, 28.5.2009, p. 11.* "Regulation (EC) No. 391/2009" means the European Community Act referred to as "Regulation (EC) No. 391/2009 of the European Parliament and of the Council of 23 April 2009 on common rules and standards for ship inspection and survey organisations" as amended from time to time;

*Official Journal of EU: L 330, 10.12.2013, p.1.* "Regulation (EU) No. 1257/2013" means the European Union Act referred to as "Regulation (EU) No. 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling and amending Regulation (EC) No 1013/2006 and Directive 2009/16/EC" as amended from time to time;

*Official Journal of EU: L 123, 19.05.2015, p.55.* "Regulation (EU) 2015/757" means the European Union Act referred to as "Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC" as amended from time to time;

"ship" means a Cyprus ship or a Community ship that is within the tonnage tax system and is engaged in maritime transport;

(2) Terms used in this Order and not otherwise defined herein shall have the meaning attributed to such terms in the Law.

*Environmental Incentive 1: Energy Efficiency Existing Ship Index (EEXI) for ships subject to the relevant provisions of the MARPOL Convention.*

3.-(1) The Environmental Incentive 1, titled *Energy Efficiency Existing Ship Index (EEXI)*, applies to ships that are subject to the provisions of Regulations 19, 23 and 25 of the amended MARPOL Convention/ANNEX VI.

Ships which achieve a reduction of the *Attained Energy Efficiency Existing Ship Index (Attained EEXI)* in relation to the *Required Energy Efficiency Existing Ship Index (Required EEXI)*, greater than 10%, will secure for their owner the corresponding Annual Tonnage Tax reduction, as per

**Table 1.**

Table 1: Attained EEXI, percentage of reduction	
Percentage of Reduction of Attained EEXI in relation to the Required EEXI	Percentage of Annual Tonnage Tax reduction (%)
Greater than 10	05
Greater than 15	10
Greater than 20	20
Greater than 30	25

(2) In order to assess eligibility for the Environmental Incentive 1, an owner must submit to the Permanent Secretary as attachment to the relevant application a copy of the International Energy Efficiency (IEE) Certificate with its Supplement.

*Environmental Incentive 2: IMO Data Collection System (DCS).*

4.-(1) The Environmental Incentive 2 related to the Data Collection System (DCS) introduced by the International Maritime Organization (IMO), applies to ships of 5.000 GT and above, with at least 4.380 reported hours at sea per annum, which are subject to the provisions of Regulation 27 of the amended MARPOL Convention/ANNEX VI.

(2) Ships that achieve a reduction of the total fuel consumption in relation to the total distance travelled between two consecutive reporting periods (year x vs year x-1) greater than 4%, will secure for their owner an Annual Tonnage Tax reduction (for year x) as per **Table 2**.

<b>Table 2:</b> Percentage of reduction of total fuel consumption / total distance travelled between two consecutive reporting periods	
Percentage of reduction between two consecutive reporting periods	Percentage of Annual Tonnage Tax reduction (%)
Greater than 4%	10
Greater than 6%	15
Greater than 8%	20

(3) To assess eligibility for the Environmental Incentive 2, as per **Table 2**, an owner must submit to the Permanent Secretary the following documents as attachments to the relevant application:

- A copy of the Statement of Compliance-Fuel Oil Consumption Reporting for two consecutive reporting periods; and
- A copy of the Collected Data Summaries Report (MEPC.292 (71) / APPENDIX 2) for two consecutive reporting periods.

*Environmental Incentive 3: Carbon Intensity Indicator (CII).*

5.-(1) The Environmental Incentive 3 is related to the Carbon Intensity Indicator (CII) of the IMO and applies to eligible ships of 5.000GT and above, which are subject to the provisions of Regulation 28 of the amended MARPOL Convention/ANNEX VI.

(2) Ships that achieve an operational carbon intensity Rating A or Rating B in a year with at least 4.380 reported hours at sea per annum, will secure for their owner an Annual Tonnage Tax reduction for that year, as per **Table 3**.

<b>Table 3: Carbon Intensity Rating, percentage of reduction</b>	
Carbon Intensity Rating	Percentage of Annual Tonnage Tax reduction (%)
Rating A	20
Rating B	10

(3) To assess eligibility for the Environmental Incentive 3, as per **Table 3**, an owner must submit to the Permanent Secretary attached to the relevant application copy of the Statement of Compliance – Fuel Oil Consumption Reporting and Operational Carbon Intensity.

*Submission of applications*

**6.** Applications from eligible owners shall be submitted in a manner and in a period determined by a circular issued by the Permanent Secretary of the Shipping Deputy Ministry.

*Limitations.*

**7.-(1)** The reduction for the aforementioned environmental incentives 1, 2 and 3 will be calculated cumulatively, and according to the relevant provisions of the Law the maximum percentage reduction-discount on the Tonnage Tax that a ship and its owner can receive is 30%.

(2) A ship that was detained for any environmental deficiency (ies) during a Port State Control inspection, during the calendar year for which its owner applies for an environmental incentive, is not eligible for any environmental incentive for the said year.

106(I)/2022.

(3) A ship that violates any European Union legislation in force related to the environmental protection and relevant national harmonisation legislation (e.g Directive (EU) 2016/802 and *the Specifications, Sustainability Criteria and Reduction of Fuel Emissions Law of 2022*, Regulation (EU) 2015/757, Regulation (EU) No 1257/2013) during the calendar year for which its owner applies for an environmental incentive, is not eligible for any environmental incentive for the said year.

(4) A ship is eligible for any of the abovementioned environmental incentives, provided that the ship is not laid-up (warm or cold) at any time during the calendar year for which its owner applies for an environmental incentive.

*Entry  
into force-  
Repeal.*

**8.** This Order shall enter into force on the 1<sup>st</sup> of January 2024 and from that date *The Tonnage Tax (Environmental Incentives) Order of 2021* is repealed.

*Official Gazette  
Suppl. III(I)  
29.01.2021*

*P.I. 42/2021.*

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