

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 2021¹

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 2021.

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";

"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*.

¹ Editorial Note: This Order was published in the Greek language in the Official Gazette of the Republic of Cyprus No 5454,, Suppl. III(I), dated 29/01/2021. 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 authorized 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";

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";

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";

"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 Design Index (EEDI) for ships subject to the relevant provisions of the MARPOL Convention.

3.–(1) The Environmental Incentive 1, titled *Energy Efficiency Design Index (EEDI)*, applies to ships that are subject to the provisions of Regulations 19, 20 and 21 of the amended MARPOL Convention/ANNEX VI.

Ships which achieve a further reduction of the *Attained Energy Efficiency Design Index (Attained EEDI)* in relation to the *Required Energy Efficiency Design Index (Required EEDI)* as per **Table 1**, will secure for their owner the corresponding Annual Tonnage Tax reduction.

Percentage of Reduction of Attained EEDI in relation to the Required EEDI	Percentage of Annual Tonnage Tax reduction (%)
>10	05
>15	10
>20	20
>30	25

(2) For **Phase 2**: an additional 10% reduction will be applied to the corresponding percentage of **Table 1**.

For **Phase 3**: an additional 30% reduction will be applied to the corresponding percentage of **Table 1**.

Provided that the maximum reduction that a ship and its owner can receive is 30% of the Annual Tonnage Tax.

(3) In order to be eligible for the Environmental Incentive 1, an owner must submit to the Permanent Secretary the following documents as attachments to the relevant application:

- A copy of the International Energy Efficiency (IEE) Certificate with its Supplement, for each ship; or
- A copy of the ship's EEDI Technical File; or
- A verification report as proof of the Attained EEDI.

Environmental Incentive 1: Energy Efficiency Design Index (EEDI) for ships that are not subject to the relevant provisions of the MARPOL Convention, but apply them voluntarily.

4.-(1) Ships which are not subject to Regulations 19, 20 and 21 of the amended MARPOL Convention/ANNEX VI, but which nevertheless demonstrate voluntary implementation and compliance with Phase 1 or Phase 2 or Phase 3, thus voluntarily exceeding the relevant environmental standards, will secure for their owner the corresponding Annual Tonnage Tax reduction as per **Table 2**.

Table 2: Compliance with Phase 1/ Phase 2/ Phase 3 for ships which are not subject to Regulations 19, 20 and 21	
Compliance with Phase 1/ Phase 2/ Phase 3	Percentage of Annual Tonnage Tax reduction (%)
Phase 1	5
Phase 2	15
Phase 3	30

(2) In order to be eligible for the Environmental Incentive 1, as per **Table 2**, an owner must submit to the Permanent Secretary the following documents as attachments to the relevant application:

- Calculations which demonstrate compliance, approved by a Recognised Organisation (RO) ; or

- A copy of the Ship's International Energy Efficiency (IEE) Certificate with its Supplement; or
- A copy of the Ship's EEDI Technical File.

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

5.-(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 22A of the amended MARPOL Convention/ANNEX VI.

(2) Ships that achieve a reduction of the total fuel consumption in relation to the distance travelled between two consecutive reporting periods (year x vs year x-1), will secure for their owner an Annual Tonnage Tax reduction (for year x) as per **Table 3**.

Table 3: Percentage of reduction of fuel consumption / distance travelled between two consecutive reporting periods	
Percentage of reduction between two consecutive reporting periods	Percentage of Annual Tonnage Tax reduction (%)
From 2% up to 4%	10
Up to 6%	15
Greater than 6%	20

(3) To be eligible for the Environmental Incentive 2, as per **Table 3**, 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: Use of Alternative Fuels.

6.-(1) The Environmental Incentive 3 related to the Use of Alternative fuels applies to eligible ships of 5.000GT and above.

(2) Ships that consume Alternative fuels will secure for their owner an Annual Tonnage Tax reduction, as per **Table 4**, on a case-by-case basis after successful review of the submitted documents.

Table 4: Type of Alternative fuels, percentage of reduction	
Type of Alternative fuel	Percentage of Annual Tonnage Tax reduction (%)
Biofuels, Methanol, Electric, Other Types, achieving reductions of CO ₂ emissions of at least 20% compared with similar ships which consume fossil fuels	15
Biofuels, Methanol, Electric, Other Types, achieving reductions of CO ₂ emissions of at least 30% compared with similar ships which consume fossil fuels	30

(3) Ships that consume alternative fuels will maintain the same Annual Tonnage Tax reduction for as long as they continue to consume the alternative fuel. The reduction of CO₂ emissions as per **Table 4**, should be achieved solely by the consumption of alternative fuels.

A Statement by the ship's Recognised Organisation or other objective study / document must be submitted every year.

(4) To be eligible for the Environmental Incentive 3, as per **Table 4**, an owner must submit to the Permanent Secretary the following documents attached as attachments to the relevant application:

- A Statement by the Ship's Recognised Organisation, or
- any other objective study / document that proves that said ship uses Alternative Fuels and complies with the relevant European Union regulations and International regulations and achieves reductions as described above compared with fossil fuels.

Limitations.

7.-(1) The reduction for the aforementioned environmental incentives 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) (violation of any International regulation / National regulation / European Union legislation) 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.

(3) A ship that violates any European Union legislation in force related to

the environmental protection (e.g Directive (EU) 2016/802, 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 above mentioned environmental incentives, provided that during the calendar year for which its owner applies for an environmental incentive, the ship is not laid-up (warm or cold).

*Entry
into force.*

8. This Order shall enter into force on the 1st of January 2021.

SDM version January 2021

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