



## The Cyprus Private Aircraft Leasing Scheme: Cyprus is now the most attractive jurisdiction with reduced VAT rate to as low as 4,37%

### ‘Private Aircraft Leasing Scheme’

The new guidelines issued by the Cypriot VAT authorities with regards to the registration of private aircrafts, make Cyprus the most attractive jurisdiction in the European Union (EU) in this area, reducing the effective VAT rate for private aircraft registration to as low as 4,37%, through the use of the “Private Aircraft Leasing Scheme”.

#### General

This special regime applies to a private aircraft owned by a Cyprus VAT registered company which are leased to any physical or legal person established or permanently resident or ordinarily resident within the Republic of Cyprus and which is not engaged in any business activity.

The purpose of this scheme is to determine the percentage of time a private aircraft spends within the air space of the European Union (EU), based on the aircraft size and type, and apply VAT according to this percentage.

#### Interpretation of the term “Private Aircraft Leasing Agreement” and VAT treatment

For the purpose of this scheme a Private Aircraft Leasing Agreement is an agreement under which the lessor, being the owner of the private aircraft, for a certain consideration, contracts the use of the aircraft (leases the aircraft) to the lessee.

For Cypriot VAT purposes the lease of a private aircraft is subject to the standard VAT Rate (19%) to the extent that the leased aircraft is used within the air space of the European Union (EU).

However, further to the Private Aircraft Leasing Scheme, there is no longer need to keep records (log books) as to the time the aircraft is used within the EU. Instead, the relevant percentage will be calculated based on the aircraft size and type (piston, turbo or jet aircraft), in the manner indicated below:

**Table A: Piston Engine Aircraft**

Maximum Take-Off Weight	Percentage (%) of use within EU air space	VAT charge
Large: over 15,001kg	40%	8.265%
Medium: between 5,701 – 15,000kg	60%	12.16%
Small: between 3,001 – 5,700kg	80%	16.05%
Light: between 1 – 3,000kg	100%	19%

**Table B: Turbo Engine Aircraft**

Maximum Take-Off Weight	Percentage (%) of use within EU air space	VAT charge
Large: over 15,001kg	25%	5.34%
Medium: between 5,701 – 15,000kg	35%	7.29%
Small: between 3,001 – 5,700kg	45%	9.23%
Light: between 1 – 3,000kg	55%	11.18%

**Table C: Jet Engine Aircraft**

Maximum Take-Off Weight	Percentage (%) of use within EU air space	VAT charge
Large: over 15,001kg	20%	4.37%
Medium: between 5,701 – 15,000kg	30%	6.31%
Small: between 3,001 – 5,700kg	40%	8.26%
Light: between 1 – 3,000kg	50%	10.21%

## Conditions

- a. A lease agreement must exist between a Cyprus VAT registered company and any physical or legal person established or permanently resident or ordinarily resident within the Republic of Cyprus and which is not engaged in any business activity.
- b. The private aircraft must fly to Cyprus within 2 months from the commencement of the lease agreement.
- c. The initial contribution from the lessee to the lessor must be at least 40% of the aircraft's value payable at the inception of the lease agreement.
- d. Lease payments are required to be monthly and the lease period cannot be less than 3 months (91 days) or exceed the period of 60 months.
- e. The lessor is expected to make a total profit from the lease agreement of at least 5% of the aircraft's original value. In the year the lease agreement commences the total amount of lease payments on which VAT is calculated is increased by half of the calculated profit, i.e. by 2,5%.
- f. The lessee may purchase the aircraft at the end of the lease period and the final installment which results to the transfer of the ownership of the aircraft to the lessee cannot be less than 2.5% of the aircraft's value and is subject to the standard VAT rate (19%).
- g. In order for the above percentages to apply a prior written approval from the VAT Commissioner is required. Thus, an application must be filed to the VAT Authorities accompanied by the lease agreement and documentation supporting the purchase price/value of the aircraft.

- h.** With the filing of an application the following information/documentation in relation to the aircraft must also be provided:
- Noise Certificate
  - Type Certificate (Manufacturer)
  - Certificate of Airworthiness
  - Airworthiness Review Certificate
- i.** The private aircraft can be registered under any Aircraft register in the world and not necessarily under the Cyprus Aircraft Register.
- j.** Irrespective of the above tables determining the use of the aircraft within the air space of EU, if any private aircraft is used exclusively and solely within the air space of the Republic of Cyprus, its lease is considered to be a taxable transaction and it is taxed at the standard rate applicable in the Republic and is calculated on the total value of the lease.

## Certificate for VAT Payment

If the lessee opts to purchase the aircraft at the end of the lease period, a certificate will be issued by the VAT authorities confirming full VAT payment given that the total of the VAT due has been paid.

## Certificate T2L

When the owner of the aircraft pays VAT on the commencement of the lease (40% on the value of the aircraft), the lessor can import the aircraft into Cyprus and the Director of the Department Cyprus Customs and Excise Office will issue a T2L Certificate. In the case where the owner-lessee does not pay any VAT on the monthly lease installments, the Cyprus Tax Authorities will charge VAT on the total value of the lease installments.

FOR ANY FURTHER INFORMATION AND OR  
CLARIFICATION PLEASE FEEL FREE TO CONTACT US

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