



## AIRCRAFT LEASING SCHEME

The private aircraft leasing scheme aims in offering tax incentives as well as VAT savings to proposed investors (the “**Scheme**”). The Scheme is introduced by the Cyprus Tax Authorities as an attempt to view Cyprus as one of the most attractive jurisdictions in the European Union.

### THE SCHEME

The Scheme requires a lease agreement of a private aircraft between:

- a Cyprus company registered with the Cyprus VAT Authorities as the Lessor; and
- the Lessee who can be either a physical or a legal person, having its permanent or ordinary residence in Cyprus and not engaged in any business activity.

The lease agreement grants the option to the Lessor to purchase the aircraft at the end of the lease period for a pre-agreed price.

The relevant percentage of the cost that will be subject to VAT will be calculated based on the type and size of the aircraft and the applicable VAT will be applied in accordance with the rates as set below: -

### APPLICABLE VAT RATES

PISTON ENGINE AIRCRAFT		
MAXIMUM TAKE-OFF WEIGHT	Percentage (%) of use within EU	Effective VAT Rate (%)
Large: over 15.001kg	40	8.89
Medium: between 5.701 kg and 15.000kg	60	12.79
Small: between 3.001kg and 5.700kg	80	16.68
Light: between 1kg and 3.000kg	100	20.58

TURBOPROP AIRCRAFT		
MAXIMUM TAKE-OFF WEIGHT	Percentage (%) of use within EU	Effective VAT Rate (%)
Large: over 15.001kg	25	5.97
Medium: between 5.701 kg and 15.000kg	35	7.92
Small: between 3.001kg and 5.700kg	45	9.86
Light: between 1kg and 3.000kg	55	11.81



JET AIRCRAFT		
MAXIMUM TAKE-OFF WEIGHT	Percentage (%) of use within EU	Effective VAT Rate (%)
Large: over 15.001kg	20	5.00
Medium: between 5.701 kg and 15.000kg	30	6.94
Small: between 3.001kg and 5.700kg	40	8.89
Light: between 1kg and 3.000kg	50	10.84

### CONDITIONS TO BE MET

1. The Lessor should have a total profit from the lease agreement of at least 5% of the aircraft's original value. In this respect, the year that the lease agreement commences, the total amount of lease payment on which VAT is applied is increased by half of the calculated profit i.e. by 2.5%.
2. The Lessee must pay an initial payment to the Lessor amounting to at least 40% of the original value of the aircraft on the commencement date of the lease agreement.
3. The lease period must not be less than three months or exceed the five years.
4. The Lessee is granted with the option to purchase the aircraft at the end of the lease period for a consideration of not less than 2.5% of the value of the aircraft which will be subject to the standard VAT rate of 19%.
5. The aircraft must fly to Cyprus within two months from the date of commencement of the lease agreement. In the event that there is a request for an extension this will only be granted by the VAT Commissioner and such extension shall not exceed in any event the time at which the Lessee can exercise its option to purchase the aircraft.
6. The VAT will be paid on a quarterly basis.
7. The prior approval of the VAT Commissioner is obtained.



- The aircraft can be registered in any aircraft register. There is no need for the aircraft to be registered with the Cyprus Aircraft Register.
- The profit margin of 5% of the Lessor will be subject to the applicable corporate income tax at a rate of 12.5%.

## OUR SERVICES

- Incorporation and Management of the Cyprus companies (for Lessor and Lessee);
- Drafting/Reviewing and advising of the relevant aircraft leasing agreement in accordance with the provisions of the Scheme;
- Preparation and submission of the application in accordance with the provisions of the Scheme with the Tax Authorities;
- Liaise with the relevant public authorities in relation to the application.

### **DISCLAIMER**

*This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication*