



# The Cyprus Aircraft Leasing VAT Scheme

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Highworth (Cyprus) Ltd



## What a “Private Aircraft Leasing Agreement” is

A “Private Aircraft Leasing Agreement”, is an agreement by which the owner of an aircraft (the Lessor), **contracts the use of the aircraft** to another party (the Lessee) for a consideration. The Lease agreement may grant the lessee the option to acquire the aircraft at the end of the lease period for a distinct and additional consideration, over and above the lease consideration.

## Why in Cyprus

An Aircraft Leasing VAT Scheme exists in Cyprus, offering **VAT incentives** to interested parties who would like to buy a pleasure aircraft for flying within EU airspace, rendering the Republic of Cyprus one of the most appealing jurisdictions for private aircraft acquisition within the European Union.

Under the Scheme, the VAT rate can be **reduced to as low as 5%** instead of the standard rate of 19% that normally applies. The decreased effective VAT rate is computed on a percentage of the time-period that the aircraft is considered to fly within EU airspace.

When combined with the **flat corporate tax rate** of 12,5 % which applies to all companies which are tax resident in the Republic of Cyprus, the Cyprus Aircraft Leasing VAT Scheme is one of the most attractive aircraft schemes in the world

## Qualifying Criteria

In order for the reduced VAT rate to apply, the following criteria need to be fulfilled:

- A lease agreement must be concluded between the Lessor and the Lessee who are both **established in Cyprus** (i.e. Cyprus Companies);
- Approval must be sought in writing from the VAT Department and subsequently the Lessor must be registered for VAT purposes with the **Cyprus VAT Department**;
- The aircraft should **fly in Cyprus** within 2 months from the date the lease agreement of the aircraft becomes effective. An extension to the above timeframe can only be granted by the Cyprus VAT Department;
- The private aircraft need not necessarily be registered with the Cyprus Aircraft Register.

Additional criteria related to the “Private Aircraft Leasing Agreement” also apply.

## Highworth services

Highworth (Cyprus) Ltd and our dedicated team offer a wide range of specialized services aiming to maximize all benefits arising from the Cyprus Aircraft Leasing VAT Scheme and to best support our clients. Such services include:

- Incorporation and administration of the Cyprus Companies (i.e. the Lessor Company and the Lessee Company);
- Support in aircraft registration internationally;
- Drafting of the relevant lease agreement;
- Completion and submission of the relevant application with the VAT Authorities along with the necessary documentation;
- Liaising with the VAT Department and the Customs Office as may be required.



## Your Contact



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