

Working & Living in Cyprus

An introduction to tax,
social security and migration



Welcome to Cyprus

We extend to you our warmest welcome!

We at Deloitte recognise that Cyprus offers an enviable combination of climate, business and culture. We also understand that relocating to a new country is often a challenge.

Cyprus is the third largest island in the Mediterranean Sea and is cited as one of the most popular tourist destinations in the region. Cyprus has an advanced economy and a high human development index (HDI) with regards to living and quality of life.

The Island hosts a large expatriate community, having the third highest percentage of foreign citizen residents in the EU; 12.5% of the total population originating from EU member states and 7.4% from non-EU countries. British nationals comprise the largest expat community whilst Russians and other Eastern European nationals also constitute big expatriate groups.

Cyprus is known as a safe and pleasant place to live, with a crime rate of only 6.44 crimes per annum per 1,000 inhabitants, being lower than most other western European countries. Hospitality is one of the most eminent and deeply engrained values of the Island and visitors immediately feel welcome and at home. Furthermore, Cyprus offers generous tax incentives to expatriates relocating to Cyprus.

This booklet is designed to ease the transition of individuals relocating to Cyprus, providing an overview of key aspects of living and working in Cyprus such as individual taxation; social security; migration; labour law; employment-sponsored pension plans and other valuable information. It offers a quick guide for employers who consider sending an employee to Cyprus and also for individuals who contemplate relocating to Cyprus.

This booklet only presents a broad overview and as simplifications have been made, it does not provide in-depth answers to specific questions. Because of the complexity of the various laws and on-going legislative changes, only brief information is provided.

We encourage you to contact our specialists to obtain detailed and up-to-date advice specific to your own circumstances.

Quick facts about Cyprus

Time Zone

The time zone of Cyprus is GMT +2.

Currency

The currency of Cyprus is the Euro. Cyprus has been a member of the European Union since 1 May 2004.

Population and Total Area

Located in the Eastern Mediterranean, the total area of Cyprus is 9,250 square kilometres with a coastline of 648 km. The population is 858,000.

Principal cities

The principal cities of Cyprus are Nicosia (the capital), Limassol, Larnaca and Paphos.

Languages

Greek and Turkish are the official languages. English is prevalent throughout the Island and is the principal business language. French, German and Russian are also commonly spoken in tourist areas.

Principal economic activities

Tourism, Services, Shipping, Real Estate, Energy.

Weather

Cyprus has a subtropical climate, with an average annual temperature of 24°C during the day and 14°C at night. Average daily sunshine ranges from 9.8 hours in December to 14.5 hours in June. The summer season extends to approximately 8 months (April - November), with the months of July and August marking considerably high temperatures (over 35°C). The winter season (November - March) is mild, while snow falls often in the Troodos Mountains from mid-December through to the end of March.

Political system

Cyprus is a presidential democratic republic. The head of state is the president who is elected directly by the people for a term of five years and appoints the governing Council of Ministers. The parliament of Cyprus is the House of Representatives which comprises 59 members elected directly by the people for a term of five years, including three observer members representing the Armenian, Latin and Maronite minorities.

Tax year

The tax year in Cyprus is the calendar year, 1 January to 31 December.

Tax treaties

To date, Cyprus has signed over 60 double tax treaties with other countries.

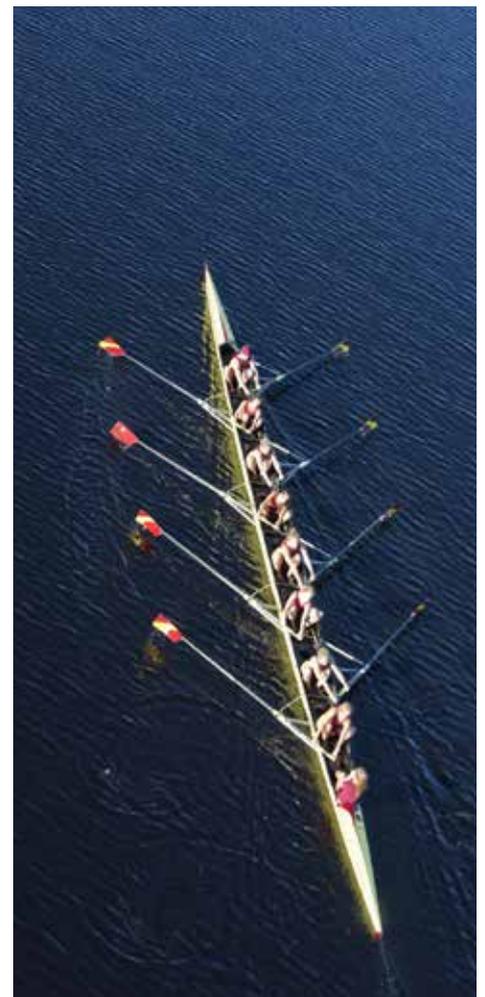
Public Holidays

Public holidays in Cyprus are additional entitlements over and above the twenty-one day statutory minimum annual leave. The following days determined by the Cyprus government as national holidays (being public holidays for state-owned organisations) are usually granted by Cypriot employers as public holidays for their employees:

1 January (New Year's Day);
6 January (Epiphany);
Monday of Easter Lent (moveable date);
25 March (National Day);
1 April (1955-1959 EOKA National Day);
Good Friday (moveable date);
Easter Monday (moveable date);
1 May (Labour Day);
Whit Monday (moveable date);
15 August (Assumption Day);
1 October (Independence Day);

28 October (WWII National Day)
24 December (Christmas Eve);
25 December (Christmas);
26 December (Boxing Day).

In addition, many employers grant an extra holiday to employees on 2 January and the Tuesday following Easter.





Migration

Cyprus offers many key benefits to foreign investors and their dependent family members who are looking for a jurisdiction that offers financial stability, a gateway to Europe and quality standards of living for their families.

EU citizens

All European Union citizens have the right to work in Cyprus but are required to register with the migration authorities within four months of moving to Cyprus. Upon registration, they will receive a registration certificate for Union citizens.

Temporary Residence and Employment Permits - Third country nationals (non-EU citizens)

When moving to Cyprus for employment, third country nationals should apply in advance to the migration authorities in Cyprus for a work and residence permit. Upon registration with the authorities, an entry permit will be issued to the individual. Following arrival in Cyprus, the individual is required to then obtain a temporary work and residence permit. This permit has a usual validity period of one year. It is possible to renew a temporary work and residence permit by submitting the required documents two months before the permit's expiration date. For executive staff, there are no restrictions regarding the duration of residence in Cyprus.

Eligibility of the company

A company based in Cyprus wishing to employ a third country national for the first time, should apply to become an eligible employer of third country nationals (one-off procedure). In practice, this procedure can be undertaken in parallel to submitting the first application for work and residence permit for individuals. All companies with non-resident shareholders are entitled to employ third country nationals or professional staff, conditional on fulfilling certain requirements.

Visiting Cyprus

Third country nationals can enter Cyprus for a short period of time with visitor's visa (i.e. single entry or a multiple entry visa).

A visitor's visa is usually obtained for tourism purposes or for short business trips. A multiple entry visa provides the right for several visits to Cyprus. The total

duration of all visits under a single entry or multiple entry visa should not exceed three months in any half year, starting from the date of first entry. To obtain a multiple entry visa, an individual can first visit Cyprus on a single entry visa and then apply for the former visa to the Cyprus embassy located in their country of origin.

Permanent Residence Permit

The Permanent Residence Permit – Regulation 6 (2), refers to individuals who have fully and freely at their disposal a secured annual income, high enough to allow a decent living in Cyprus for him/herself and dependents, without having to engage in any business, trade or profession.

The criteria to be met and the supporting documentation required for an individual to be eligible to obtain a permanent residence permit, include the following:

- Evidence of a steady income from abroad of at least €30,000, from sources other than employment in Cyprus i.e. certificates of dividends, certificates of fixed deposits, pension statements, rents or salary advice.
- Confirmation letter from a Cypriot Bank, showing deposits in a local account of a minimum capital of €30,000, from sources other than employment in Cyprus. The capital should be transferred from an International Bank to a local Cypriot Bank and it should be pledged for at least a period of three years.
- The necessary minimum income, is increased by €5,000 for the spouse and for each child and by €8,000 for each parent of the main applicant and/or the spouse of the main applicant.
- Title deed or purchase agreement of a residential property, issued on the name of the applicant. The minimum market value of the property should be €300,000 plus VAT and proof of payment for at least €200,000 excluding VAT. The VAT



rate of 5% is applied for first residences with a total area not exceeding 275 square meters in accordance with the architectural plans (after the exception of up to 88 square meters for common areas). The first 200 sq. meters are subject to 5% VAT and anything above 200 sq. meters is subject to the standard rate of VAT, currently 19%. The respective investment should be transferred from an International Bank to a local Cypriot Bank.

Additional conditions & requirements

Additional documentation that needs to be submitted to obtain Permanent Residence Permit, include the following: declaration regarding the income of the applicant, confirmation that the applicant does not intend to work or to be engaged in any form of business in Cyprus, apostil clean criminal record from country of origin, birth certificate, medical insurance certificate, CV, etc.

Other important information

- Applicants should visit Cyprus at least once every two years.
- It takes approximately two months for the Permanent Residence Permit to be

issued, from the date of submission of the required documentation.

- To apply for Citizenship and become a Cypriot citizen, a third country national should have held Permanent Resident status and resided in Cyprus for at least seven years.

Cypriot Citizenship by Exception

A non-Cypriot citizen will be eligible to apply for the obtainment of the Cypriot Citizenship, provided that one of the following investment criteria is met:

1. Investment in real estate, land development and infrastructure projects

The applicant must have made an investment of at least €2 million for the purchase or construction of buildings or for the construction of other land development projects (residential or commercial developments, developments in the tourism sector) or other infrastructure related projects.

On the basis of this criterion, the investment in land under development is also included, provided that the investment will be supported with an investment plan for the development of the purchased land.

2. Investment in financial assets of Cypriot companies

The applicant must have made an investment in the purchase, creation or participation in companies that are based and operating in the Republic of Cyprus, amounting to at least €2 million. The respective amount must be invested to financially support the local operations of the companies. The investment to be made should be supported by a comprehensive investment plan.

It should be noted that these companies must have proven physical presence and significant activity in Cyprus with substantial turnover and employ at least five Cypriot or European Union citizens, who have been legally and continuously living in Cyprus for a minimum of 5 years preceding the submission of the respective application. The minimum number of employees of the specific company increases in the event that more than one applicant invests in the same company.

3. Investment in Alternative Investment Funds (AIF's) or financial assets of Cypriot companies or Cypriot companies licensed by the Cyprus Securities and Exchange Commission (CySec)

The applicant must have purchased units from AIF's which are established, licensed and supervised in Cyprus by CySec, amounting to at least €2 million. Such investments must be exclusively made in the Republic of Cyprus and fulfil the criteria of the Scheme and be approved by the Minister of Finance.

In order to confirm that the investments made, under this criterion, will be retained for at least a three-year period, the manager or the auditor of the Fund should provide annual reports to the Ministry of Interior and Finance with reference to the value of the initial investment.

An investor may acquire financial assets of Cyprus companies such as bonds, bills and securities amounting to at least €2 million, issued with the approval of CySec,

by companies that have proven physical presence and substantial economic activity in the Republic and aim to finance the investment plans of these companies exclusively in Cyprus. The investment to be made in this respect, should be supported by a comprehensive investment plan.

4. Combination of the aforementioned criteria 1 to 3

The applicant may proceed in investing at least €2 million, in a combination of the abovementioned investment criteria. It is noted that under this criterion, the applicant may also purchase government bonds of the Republic of Cyprus of up to €0,5 million, issued by the Public Debt Management Office of the Ministry of Finance, provided that the investor will retain these bonds for a three-year period. Investments in government bonds through the secondary market are not considered eligible.

In addition, a high-ranking senior manager may apply for the obtainment of the Cypriot Citizenship, provided that he/she receives such a remuneration that generates for the Republic tax revenue of at least €100,000 over a three year period and provided that this tax has already been paid or prepaid. In addition, the company in which the high-ranking senior manager works for, needs to fulfil one of the abovementioned investment criteria.

Additional conditions & requirements

In all investment criteria listed above an additional purchase of a permanent residential property amounting to €0,5 million (plus VAT) is required.

- In the event that the amount of the residential property exceeds €0,5 million, then the additional amount paid can be considered as part of the total amount of the main investment.
- In the event that the applicant will invest under Criterion 1 – 'Investment in real estate, land development and infrastructure projects', by purchasing a residential property amounting to at least

€0,5 million, then he/she will not have to purchase another residential property of €0,5 million.

- The parents of the investor may apply for the obtainment of the Cypriot Citizenship, as soon as the main applicant will acquire the Citizenship, provided that they will purchase another permanent residential property amounting to €0,5 million (plus VAT).

The applicant needs to obtain a residence permit in Cyprus prior to his/her application for the obtainment of the Cypriot Citizenship.

- In the event that the applicant does not hold a residence permit, then he/she may apply for a Permanent Residence Permit – Regulation 6(2) simultaneously with the application for the Citizenship.

Additional documentation that needs to be submitted to acquire Cypriot Citizenship by Exception, include the following: valid passport, clean criminal record from the country of origin and the country of residence (if different), birth certificate, marriage certificate, CV, etc.

Other important information

- The applicant is required to make the required investment during the three years preceding the date of application and should ensure that the said investment is retained for a period of at least three years from the date of acquiring the Citizenship.
- Notwithstanding compliance with the above conditions, the decision to grant Cyprus Citizenship by exception remains at the absolute discretion of the Council of Ministers.
- It should also be noted that the above regulations are subject to change, at any time, following a decision of the Council of Ministers.

Personal taxation

The main types of taxes applicable to an individual in Cyprus include:

- direct taxes (e.g. income tax and special defence contribution),
- indirect taxes (e.g. VAT and duties on goods and services) and
- capital gains tax (applicable on the sale of immovable property situated in Cyprus)

An individual working in Cyprus is also subject to social insurance (and other) contributions.

For an expatriate individual arriving in Cyprus, it is important to establish the following:

- tax residency status
- domicile status
- sources of income and
- eligibility for certain tax exemptions

Tax residency

An individual who spends more than 183 days in Cyprus is a tax resident of Cyprus. As from 1 January 2017 an individual can be a tax resident of Cyprus even if he/she spends less than or equal to 183 days in Cyprus provided that he/she satisfies all of the following conditions within the same tax year (1 January – 31 December):

- does not spend more than 183 days in any other country;
- is not a tax resident of any other country;
- spends at least 60 days in Cyprus;
- maintains a permanent home in Cyprus that is either owned or rented;
- carries on a business in Cyprus, is employed in Cyprus or holds an office in a Cyprus tax resident person at any time during the tax year.

If the employment/business or holding of an office is terminated during the year, then the individual would cease to be considered a Cyprus tax resident for that tax year.

For the purpose of calculating the days of residence in Cyprus:

- the day of arrival into Cyprus is considered to be a day in Cyprus
- the day of departure from Cyprus is considered to be a day out of Cyprus
- the arrival in Cyprus and departure from Cyprus on the same day is considered to be a day in Cyprus and
- the departure from Cyprus and return to Cyprus on the same day is considered to be a day out of Cyprus.

A Cypriot tax resident individual is subject to income tax on income accruing or arising from sources both within and outside Cyprus, i.e. on their worldwide income. A non-Cypriot tax resident individual is subject to income tax only on income accruing or arising from sources in Cyprus.

Personal income tax rates

The personal income tax rates applicable to an individual's taxable income are as follows:

Taxable Income	Tax Rate	Cumulative Tax
€	%	€
0 – 19,500	0	0
19,500 – 28,000	20	1,700
28,000 – 36,300	25	3,775
36,300 – 60,000	30	10,885
60,001 and over	35	

Exemptions/ deductions

The following are exempt from income tax:

- 50% of the remuneration from any employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his/her employment in Cyprus. The exemption applies for a period of ten years starting from the first year of employment provided that the above income of the employee exceeds €100,000 per annum.

This exemption does not apply in case the employee was a Cypriot tax resident in the preceding tax year or for at least three out of the last five tax years immediately prior to the tax year of commencement of employment.

- 20% of the remuneration or €8,550 (whichever is the lower) from any employment exercised in Cyprus by an individual who was resident outside Cyprus before the commencement of his/her employment. This exemption applies for a period of five years from 1 January following the year of commencement of the employment and may be claimed up to tax year 2020.

- All interest income
- All dividend income
- All gains arising from the disposal of securities such as shares and bonds
- Remuneration from the rendering of salaried services to a non-resident employer based outside of Cyprus or to an overseas branch of a resident employer for an aggregate period in the year exceeding 90 days
- Any lump sum received as a retiring gratuity, commutation of pension, death gratuity or as compensation for death or injury
- Any lump sum repayment from life insurance schemes or from approved provident funds.

Amongst other items of expenditure, the following are deductible for income tax purposes:

- Contributions to approved provident funds
- Subscriptions to trade unions or professional bodies
- Donations to approved charitable organisations
- Expenses for the letting of buildings up to the 20% of the rental income.

Stock options

Stock options granted by employers to their employees are subject to tax as part of the employee's employment income. Complex rules apply to the taxation of such options.

Benefits-in-kind

A number of benefits-in-kind are subject to taxation in Cyprus:

- Accommodation
- Use of a car
- Relocation allowances (subject to a tax-free de minimis)
- Allowances provided for child education

Special defence contribution

A Cypriot tax resident individual who is domiciled in Cyprus is subject to special defence contribution on the following sources of income at the rates indicated below:

Source of income	SDC rate
Dividends	17%
Interest	30%
Interest from Cyprus Government bonds and saving certificates	3%
Rental income	2.25%

Non-Cypriot tax residents and Cypriot tax residents who are not domiciled in Cyprus are exempt from special defence contribution. Therefore, a non-Cypriot domiciled individual who relocates to Cyprus, would be exempt from special defence contribution, even if he/she spends more than 183 days in Cyprus in a tax year.

Domicile

An individual is domiciled in Cyprus if he/she has a Cypriot domicile of origin, subject to a few exceptions.

An individual's domicile of origin is the country that his/her father (or in certain cases his/her mother) treats as his (her) permanent home (domicile), at the time of the individual's birth.

Irrespective if one has a domicile of origin outside of Cyprus, he/she will be deemed to be domiciled in Cyprus if he/she has been a Cypriot tax resident for at least 17 out of the last 20 years prior to the relevant tax year.



Capital gains tax

Subject to certain exceptions, capital gains tax (CGT) is imposed on gains from the direct or indirect disposal of immovable property situated in Cyprus at the rate of 20%.

Immovable property includes shares of companies not listed on a recognised stock exchange that own immovable property situated in Cyprus.

Estate duty, wealth tax and inheritance tax

There is no estate duty, wealth tax or inheritance tax in Cyprus.

Foreign pension income

An individual who is Cypriot tax resident can choose one of two methods for the taxation of pension payments received from a pension fund in relation to employment of the individual whilst that person was outside Cyprus:

- The first €3,420 is tax free with the remainder of the payments subject to tax at the flat rate of 5%; or
- The income is added to other taxable income and taxed at the normal income tax rates noted above.

The tax liability calculated under either option is reduced by any available foreign tax credit relating to any tax deducted at source from the pension payments.

VAT

Value added tax is levied at the rate of 19%. Reduced VAT rates of 5% and 9% apply to some goods and services.

Registration of employees

An individual should register with the Tax Department and submit personal income

tax returns if they earn taxable income in Cyprus exceeding the tax-free amount of €19,500 per annum. An Alien Registration Certificate, a "yellow slip" and a copy of the individual's passport is required to register.

An individual working in Cyprus should register with the Social Insurance Department and make social insurance contributions (see the next page for further details). An Alien Registration Certificate, a "yellow slip" and a copy of the individual's passport is required to register.

An exemption from registration may be granted if the individual is an EU national and wishes to continue paying social security contributions in their home country.

A tax clearance certificate may be obtained by an individual upon their exit from Cyprus and also for renewal of work permits (where applicable).

Tax returns and due dates

An individual working in Cyprus, earning above the tax free amount of €19,500 should submit an annual income tax return (T.D.1) every year. The due date is 31 July following the tax year and the return is submitted electronically.

Foreign interest and dividends received where special defence contribution has not been deducted at source but is applicable, is due by 30 June for the first half of the year in which the interest and dividends are received and by 31 December for the second half of the year in which the interest and dividends are received.

Social insurance and other contributions

Social insurance contributions are made by individuals employed or self-employed in Cyprus. An employer also makes contributions in respect of its employees.

The contributions are calculated by applying the relevant contribution rates to the weekly wages or monthly salaries, subject to certain income limits.

Contribution rates

Contributions	Employer %	Employee %	Self-employed %
Social Insurance Fund	7.8	7.8	14.6
Redundancy Fund	1.2	-	-
Industrial Training	0.5	-	-
Social Cohesion Fund	2.0	-	-

Income limits

Employee and employer contributions (other than contributions to the social cohesion fund) are subject to upper income limits that are set on an annual basis.



Contributions by self-employed individuals are subject to both a lower and an upper income limit that are also set on an annual basis. The limits differ depending on the occupational category of the self-employed individual.

Contribution due dates

The employees' social insurance contributions should be withheld by the employer on a monthly basis. These contributions along with the employer's contributions should be paid to the Social Insurance Department not later than the end of the calendar month following the month that the salaries relate to.

The social insurance and other contributions of self-employed individuals should be paid to the Social Insurance Department quarterly after the end of each quarter, as follows:

Quarter	Due date
January to March	10 May
April to June	10 August
July to September	10 November
October to December	10 February



Employer sponsored pension plans

A provident fund is a form of employer sponsored scheme for private sector employees, similar to a pension fund.

The intention of provident fund law is to encourage employees to stay longer in the same employment and to assist employees to save for the long term.

Contributions

A provident fund is made up of monthly contributions by both the employees and the employer as a percentage on the employees' gross salary.

Contributions are generally tax deductible. A provident fund's charter sets the minimum and maximum contributions that are to be made.

The employees' part of the fund is known as "Account A" and the employer's part is known as "Account B".

Within a provident fund's charter, it is specified that provided the employee remains with the employer for a fixed number of years, on their departure they will be able to take as a tax free lump sum the total of their cumulative contributions (Account A) and the associated employer's contributions (Account B) including the share of income earned by the fund during the period of employment from those contributions.

The number of years that the employee should stay in the same employment to obtain their Account B entitlement (i.e. the vesting period of the employer's contributions) will depend on the provident fund charter but it is usually between three and seven years.

Leaving the Provident fund

If a departing employee's Account B has not vested, they receive only their Account A contributions, together with the share of income earned by those contributions.

Otherwise, the departing employee receives both their Account A and Account B, together with the share of income earned by those contributions.

The funds received are not subject to tax.

Employment law

An overview of the main terms and conditions of employment in Cyprus are described below. All companies operating in Cyprus are obliged to adhere to the employment legislation of Cyprus.

Legislative basis

The employment of non-Cypriot nationals is governed by Alien and Migration Law. All procedures are managed by the Department of Labour and/or by the Civil Registry and Migration Department. The employment of EU nationals, is regulated by the Law on Free Movement and Residence of Nationals of the Member States of the European Union and their Families.

All EU nationals and non-EU nationals working in Cyprus are required to be registered with the Civil Registry and Migration Department. For further details please refer to section 3. Migration.

Pay Period

There is no standard pay period and each organisation is able to adjust its pay period according to its working conditions. It is customary for the pay period to be weekly or monthly with most employers paying salaries on the last day of each month.

Probation Period

Employment law provides a minimum probation period of at least 26 weeks, where there is no minimum notice period in the event of employment termination. The probation period may be extended to a period of up to 104 weeks, where the predetermined by the law notice period should be paid in the event of employment termination.

Working Hours

The maximum weekly hours of work are 48 hours, including overtime. The normal pattern of working hours in Cyprus is 40 hours per week. In addition, the employee is entitled to at least 11 continuous hours of rest per day. When the daily period of work is greater than six continuous hours, the employee is entitled to a break of duration of 15 minutes.

Public Holidays

The normal pattern of public holidays in Cyprus is 15 days per annum. Please refer to section 2 of this publication.

Annual Leave

Depending on the type of work schedule, employees are entitled to 20 days (when working on a 5-day week), or 24 days (when working on a 6-day week) of annual holiday leave. This only applies to employees that have worked for at least 48 weeks within a year. In cases of work for a shorter period of time, then the duration of annual leave is calculated proportionately. However, for work of less than 13 weeks within a year, the employee is not entitled to annual leave.

Sick Leave

Sick Leave is paid by the Department of Social Insurance of the Ministry of Labour and Social Insurance. A sickness benefit is payable to employed persons working abroad in the service of Cypriot employers and self-employed persons working abroad whose permanent residence is in Cyprus. In the case of an employed person the

payment of the benefit starts on the 4th day of absence from work due to illness and in the case of a self-employed person the payment starts on the 10th day of absence from work.

The level the benefit is determined according to the average weekly amount of earnings on which contributions were made by or for the insured person in the previous contribution year under the social insurance scheme.

It is also customary for organisations to allow a minimum of 10 days, as paid incidental sickness absences per annum.

Employer-sponsored pension funds

Many employers sponsor a provident fund scheme for their employees, similar to a pension plan. It is not compulsory to operate such funds, but once formed a fund is regulated by legislation and the office of the Commissioner of Provident Funds. The basic principle of a provident Fund is that both employer and employee contribute a predetermined percentage of the employee's monthly gross salary to the Fund. For further details please refer to section 6. Employer sponsored pension plans.

Private limited companies

Private limited companies incorporated in Cyprus are a common vehicle for undertaking business in Cyprus. Such a company can have one shareholder who is also the manager or an employee of the company.

Corporation tax rate

Cyprus companies are taxed at a corporate income tax rate of 12.5%, which is one of the lowest corporate tax rates in the European Union.

No withholding taxes

No withholding taxes are imposed on dividends paid to non-tax resident individual shareholders, tax resident but non-domiciled individual shareholders or Cypriot tax resident corporate shareholders. Dividends paid to individual shareholders who are Cypriot tax resident and Cypriot domiciled are subject to a withholding tax of 17%.

Exemption from tax on dividend income

Dividend income received by a company is exempt from tax irrespective of its source provided that the company paying the dividend either

- engages directly or indirectly in more than 50% of activities that give rise to non-investment income or
- the tax burden on the dividend paying company's income is not lower than 6.25%.

Notional interest deduction upon the introduction of new equity

Cyprus companies are entitled to a notional interest deduction (NID) upon the introduction of new equity.

The NID is available on new qualifying equity issued by a Cyprus company on or after 1 January 2015 and used in the business. The NID is calculated by multiplying the new qualifying equity amount by a reference interest rate. The reference interest rate is equal to the yield of the 10-year Government bond of the country in which the funds are invested, plus 3% (or the yield of the 10 year Cyprus Government bond plus 3%, if higher). The NID is a tax-allowable deduction limited to 80% of the taxable profit derived from assets financed by the new equity. Depending on the level of capitalization of a company, the NID could reduce the effective tax rate of company to as low as 2.5%.

Capital gains and income tax exemption for securities

Cyprus does not impose income or capital gains tax on the profits and gains derived from the disposal of securities, irrespective of whether the profits and gains are considered to be of a revenue or capital nature.

Securities as defined by the law, include shares, bonds, debentures, founder's shares and other securities of companies or other legal persons and options over such securities.

Liquidation of a Cyprus company

No capital gains tax, income tax or any other taxes arise on the liquidation of a Cypriot company owned by non-resident shareholders, irrespective of the method of liquidation.

Living in Cyprus

Relocating

Personal belongings

Cyprus is serviced by an extensive list of local and international moving and shipping companies.

To assist with relocation planning, one should keep in mind that it might take up to one month for goods and personal belongings to arrive in Cyprus. Individuals are also advised to insure their belongings.

For EU nationals, exemption from excise duties is granted for personal property imported permanently from another EU member state. With regards to non-EU nationals, relief from import and excise duties as well as VAT is granted for personal property provided certain conditions are met. More information can be obtained from the Customs & Excise Department of the Ministry of Finance (*refer to: www.mof.gov.cy*).

Personal cars

The conditions to be fulfilled for the importation to Cyprus of a vehicle depend on whether the vehicle is to be imported from an EU or non-EU country and also whether the intention is for the vehicle to be imported temporarily or long-term.

Vehicles from countries of the EU

Vehicles from EU member states are considered goods in free circulation in the EU and can move from one member state to another without payment of customs import duty. To be exempt from paying import duty in Cyprus, proof of Community status of the goods must be provided, such as forms T2L or T2LF for a new or used vehicle or number plates and the vehicle registration document issued by the previous member state for used vehicles.



Vehicles from countries outside the EU

A person resident in a non-EU country that is transferring their normal residence to Cyprus is entitled to transfer their vehicle as part of their personal belongings without liability to import and excise duties and VAT, under certain conditions. In order to avoid a period of unavailability of their vehicle on importation, a temporary license to use the vehicle may be applied for under Form C104O.

It is possible to import a vehicle from a non-EU country in order to use it temporarily in Cyprus and then re-export it without paying customs duty, excise duty or VAT in Cyprus; subject to conditions including that the maximum duration of use in Cyprus is six months per year.

More in-depth information can be obtained from the Customs & Excise Department of the Ministry of Finance (*refer to: www.mof.gov.cy*).

Importation of Pets

Cyprus is a member of the European Pet Travel Scheme. Regardless the country of origin of the animal, the following conditions apply:

- The animal has a minimum age of 111 days
- The animal must be individually identified, via either
 - a clearly readable tattoo (applied before 3 July 2011) or
 - an electronic identification system (transponder-microchip)
- The following breeds are prohibited:
 - American Pit Bull Terrier or Pit Bull Terrier
 - Japanese Tosa or Tosa Inu
 - Dogo Argentino or Argentinian Mastiff
 - Fila Brasileiro or Brazilian Mastiff

There are further specific requirements depending on whether the animal is to be imported from an EU member state or a non-EU country. Further information may

be obtained from the Veterinary Services, Animal Health and Welfare Division of the Ministry of Agriculture, Natural Resources and Environment (*refer to: www.moa.gov.cy*).

Accommodation

There are many estate agencies which can provide options and support during house-hunting. A list of registered estate agents is available from the Cyprus Real Estate Agents Association, CREAA (*refer to: www.skek-creaa.com*).

Buying Property

Buying a property is a popular option, especially for people looking to settle longer-term on the Island. All EU nationals have the right of home ownership. In the case of non-EU nationals, special conditions apply such as being allowed to buy only one property, with the land not exceeding 4,014 square metres. Additionally, the individual should not own any shares in a company that owns immovable property and must not have a criminal record.

If a loan is required for buying a residence, one can contact any commercial bank to discuss loan terms. The deposit usually lies in the range of 20-30% of the purchase price. Stamp duty and transfer fees are also payable by the purchaser of property, the amount of which is calculated on the purchase price. The seller usually bears the commission of the real estate agent.

Renting Property

Cyprus has a surplus of property available for short or medium-term rent. A minority of property is furnished; however rental property is usually provided unfurnished, including only air-conditioning, heating and some kitchen appliances.

It is common practice for a rental contract to be for a period of one or two years, allowing the possibility of renewal. Usually, the equivalent of one month's rent is required as a deposit together with payment of one month's rent in advance on signing of the contract. The deposit is



refunded when the contract expires, unless there is property damage. The tenant usually bears the cost of utilities, such as water, heating and electricity.

Government Housing Schemes and Grants for Repatriated Refugees

The government operates a Housing Scheme, for those persons who were residents before and up to the time of the Turkish invasion of Cyprus territories, which today are under Turkish occupation. Further information may be obtained from the Ministry of Foreign Affairs (*refer to: www.mfa.gov.cy*).

Utilities

The Electricity Authority of Cyprus is the sole provider of electricity in Cyprus. The electricity supply is 240 volts, AC 50 Hz. Sockets are usually 13 amp square pin in most buildings.

The water supply is managed by the Cyprus Water Development Department, with each municipality having its own authority. Property owners or tenants register with the municipal water board.

The largest telecommunications provider in Cyprus is the state-owned Cyprus Telecommunications Authority (CYTA). Other private organisations also operate on the Island, providing landline, mobile

& cellular services as well as internet broadband.

Banking

The banking system in Cyprus is regulated by the Central Bank of Cyprus. The Central Bank keeps a register of all regulated banks operating in Cyprus including branch and representative offices of foreign banks (*refer to: www.centralbank.gov.cy*).

The opening of a bank account involves the presentation of required identification documents such as an individual's passport or identity card, recently issued proof of address (such as a utility bill or property title deeds) and confirmation of employment or copy of a valid work or residence permit.

It is also possible to open an account before arrival in Cyprus through an overseas branch of a Cypriot bank or one of the many foreign banks operating in Cyprus. In this case, the applicant's signature and personal identification will be verified for the account to be opened.

The working hours of most banks are 8.30am to 1.30pm, Monday to Friday. Banks usually provide 24 hour access through ATM's to an account for withdrawals, deposits or balance checking. All machines have instructions in English. Additionally,



most of the banks have online services where it is feasible to transfer funds between own accounts, review and print statements while being informed for any new Banking services or products available.

Lifestyle & living

Office and Retail Hours

Most private offices are open 8.00am to 5.00pm, Monday to Friday. Government offices are open until mid-afternoon, Monday to Friday. Most shops and supermarkets are open 9.00am to 7.00pm, Monday to Sunday.

Transport

In Cyprus driving is on the left hand side of the road.

The rules of driving are regulated by European standards and include that the minimum driving age (student licence) is 17 years old with the legal driving age being 18 years old. Seat belts are compulsory for all passengers and child seats are compulsory for children under the age of five in the back of the vehicle. There is a speed limit of 100km/hr on motorways, 50km/hr in residential areas and 80km/hr in rural areas, unless otherwise stated. Third party liability insurance for vehicles is compulsory.

Some foreign-issued driving licenses are considered valid in Cyprus while some may be exchanged for an equivalent Cypriot

license. Only individuals who have been resident in Cyprus for at least six months may apply for a Cypriot driving license. The registration process involves a verbal test, theory test and practical test.

Further information can be obtained from the Department of Road Transport of the Ministry of Communication and Works (*refer to: www.mcw.gov.cy*).

The minimum legal drinking age is 17 years old. The maximum legal alcohol level while driving is 22 micrograms of alcohol per 100 millilitres of breath and 9 micrograms of alcohol per 100 millilitres of breath for people holding student licence, for new drivers who have less than three years of driving experience, for drivers of public vehicles i.e. taxis, buses, trucks etc., as well as for motorcyclists.

Information on public transport may be obtained from the Cyprus Tourism Organisation, including bus routes (*refer to: www.visitcyprus.com*). Bus time tables and schedules are available from tourist offices or directly from bus companies. Information on bus schedules can also be obtained from the Cyprus by Bus website (*refer to: www.cyprusbybus.com*).

Education & schooling

The official language in public schools is Greek while in most private schools the official language is English. Some private

schools teach in other European languages. Public schools are free. Fee-paying private schools usually have proficiency entrance examinations for applicant students.

The Education system in Cyprus consists of the following stages:

- Pre-Primary education, for children between 4 years, 8 months and 5 years, 8 months
- Primary education, compulsory for all children over the age of 5 years, 8 months and with a duration of 6 years
- Secondary education, which offers two three-year cycles of education being the "Gymnasio" (lower secondary education) and "Lykeio" (upper secondary education), to pupils between the ages of 12 and 18.

An alternative to attendance at Lykeio schools is attendance at Secondary Technical and Vocational Education Institutes. In the case of private schools, there is usually no distinction between Gymnasio and Lykeio, and the total education period is 7 years.

- Higher Education, with public and private universities operating in Cyprus.

Further information may be obtained from the Ministry of Education and Culture (*refer to: www.moec.gov.cy*).

Health

Depending on an individual's status, public healthcare is either free or subsidized for those eligible for a Medical Card or paid at fixed government rates for those not eligible for a Medical Card. Public healthcare is accessible in all cities of the island, as well as smaller hospitals or clinics located in villages. Further information can be obtained from the Ministry of Health (*refer to: www.moh.gov.cy*).

It is customary for organisations to provide health insurance to employees. Employees often also have the option to extend coverage to their dependents under their employer-provided scheme at their own cost.



Our services

Situations in which you may require our assistance

We acknowledge the importance of having the right people for the right position for your Cyprus operations. The timing, as well as the smooth relocation of your key people is an essential prerequisite for which our experts can provide you with suitable solutions.

Our in-depth knowledge of the labour and migration law, together with tax law and procedures and our experience in working with international clients can support you in what can otherwise be time consuming and highly demanding processes. We can ensure that all the Cypriot migration, tax and social insurance obligations of your relocated people are met.

Our solutions - What can we offer? Our Advisory Services team can assist you with the following:

- EU registration certificates
- Becoming an eligible company to employ third country nationals

- The issue of Temporary Residence and Employment
- Permits to third country nationals and renewal of Temporary Residence and Employment Permits to third country nationals
- Permanent Residence Permits

Obtainment of Cypriot Citizenship by exception / naturalization

- Customised consultation on an individual's needs

Providing expert advice in housing solutions

- Undertaking the registration and acting as agent for the individuals and the employer with the Cypriot tax and social insurance authorities
- Ensuring that employee and employer tax and social security obligations are met
- Coordinating the individuals' and employers' final tax obligations on leaving Cyprus
- Holding entry and exit meetings to discuss the relocation of an individual in and out of Cyprus and any obligations arising under Cyprus law.

Our real estate services team can assist you in making informed real estate decisions as follows:

- Identification and selection of appropriate real estate solutions in cooperation with reputable organisations, operating in the local real estate market
- Undertake real estate due diligence to evaluate prospective investments, including real estate valuation services, legal inquiries and review of the associated purchase/ rental contracts
- Handle the transaction procedures and client representation during the conveyancing process at the relevant local authorities.

Contacts

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