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I would like to welcome you to Deloitte's annual Cyprus tax facts. Cyprus tax facts has proven to be a useful tool for all businesses and individuals wishing to have up to date information on the tax environment in Cyprus. The provision of taxation services is one of our core service lines with special emphasis on Business Tax, Personal Tax, Indirect Tax (including VAT), Global Employer Services (including solutions for High Net Wealth Individuals) and Cross-border Tax.

Christis M. Christoforou - CEO

The tax information contained in this guide is accurate as at its date of publication (10 January 2018). The information included within is designed to increase the reader's general awareness of the Cyprus Tax System and in no case should substitute seeking professional advice. For explanations, clarifications or professional advice please contact your Deloitte advisors.

Deloitte in Cyprus

Deloitte is one of the largest providers of audit, tax, consulting and financial advisory services in Cyprus, operating out of offices in all major cities with more than 650 professionals.

Our wide range of professional services includes:

- audit & assurance services
- tax & legal services
- consulting including human capital, strategy & operations, technology, EU advisory services
- investment & wealth advisory services
- risk advisory including strategic & reputation, regulation, financial, operational and cyber risks
- financial advisory including fund raising & debt advisory, business plans, feasibility studies, finance projections, mergers & acquisitions, transaction and valuation services
- accounting services
- formation of companies and special services to international business companies

Our International Firm

Deloitte Touche Tohmatsu Limited (DTTL) is one of the largest private professional services organisations in the world.

Nearly 245.000 people in over 150 countries serve more than 80% of the world's largest companies, public institutions, as well as fast-growing small and medium sized enterprises.

Income Tax

Individuals

Imposition of tax

An individual who is tax resident in the Republic of Cyprus (the Republic), is taxed on income accruing or arising from sources both within and outside the Republic.

An individual who is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Tax residency

An individual who spends more than 183 days in the Republic is a tax resident of the Republic.

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

- i. does not spend more than 183 days in any other country;
- ii. is not a tax resident of any other country;
- iii. spends at least 60 days in the Republic;
- iv. maintains a permanent home in the Republic that is either owned or rented;
- v. carries on a business in the Republic, is employed in the Republic or holds an office in a person who is a tax resident of the Republic 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 of the Republic for that tax year.

For the purpose of calculating the days of presence in the Republic:

- the day of arrival into the Republic is considered as a day in the Republic
- the day of departure from the Republic is considered as a day out of the Republic
- the arrival into the Republic and departure from the Republic on the same day is considered as a day in the Republic and

- the departure from the Republic and return to the Republic on the same day is considered as a day out of the Republic.

Personal income tax rates

Taxable Income €	Tax Rate %	Tax €	Cumulative Tax €
0 - 19.500	0	0	0
19.501 - 28.000	20	1.700	1.700
28.001 - 36.300	25	2.075	3.775
36.301 - 60.000	30	7.110	10.885
60.001 and over	35		

Exemptions

The following are exempt from income tax:

	Exemption
• Dividend income	The whole amount
• Interest income, excluding interest income arising in the ordinary course of the business or closely connected with the ordinary carrying on of the business	The whole amount
• Remuneration from any employment exercised in the Republic by an individual who was resident outside the Republic before the commencement of the employment (note 1)	20% of the remuneration or €8.550 (whichever is lower)
• Remuneration from any employment exercised in the Republic by an individual who was resident outside the Republic before the commencement of the employment, provided that the annual remuneration of the employee exceeds €100.000 (note 2)	50% of the remuneration
• Remuneration from the rendering of salaried services outside the Republic to a non-resident employer or to a permanent establishment outside the Republic of a resident employer for a total period in the year of assessment of more than 90 days	The whole amount

- | | |
|---|------------------|
| • Foreign exchange (FX) gains, with the exception of FX gains arising from trading in foreign currencies and related derivatives (note 3) | The whole amount |
| • Gains arising from the disposal of Securities (note 4) | The whole amount |
| • Gains arising from a Restructuring (note 10) | The whole amount |
| • Profits of a permanent establishment maintained outside the Republic (subject to certain conditions) | The whole amount |
| • Rent from preserved building (subject to certain conditions) | The whole amount |
| • Lump sum received as retiring gratuity, commutation of pension, death gratuity or as consolidated compensation for death or injury | The whole amount |
| • Lump sum repayment from life insurance schemes or from approved provident funds | The whole amount |

Deductible expenses

All expenses incurred wholly and exclusively for the production of income are deductible in calculating taxable income, including:

Deduction

- | | |
|---|--------------------------|
| • Interest relating to the acquisition of fixed assets used in the business | The whole amount |
| • Expenses for letting of buildings | 20% of the rental income |
| • Interest in respect of the acquisition of a building for rental purposes | The whole amount |
| • Subscriptions to trade unions or professional bodies | The whole amount |

• Expenditure for the maintenance of buildings under preservation order (subject to certain conditions)	Depends on the size of the building
• Donations to approved charitable organisations (with receipts)	The whole amount
• Profits from the exploitation of intellectual property rights (page 16)	Up to 80%
• Profits from the disposal of intellectual property rights (page 16)	Up to the whole amount
• Expenditure for scientific research	The whole amount
• Investment in an innovative small and medium sized business (subject to conditions)	Up to the whole amount (Restricted to 50% of taxable income as calculated before this deduction with a maximum deduction of €150.000)

Non-deductible expenses

The following expenses are not deductible in calculating taxable income:

Non-deductible

• Expenses not incurred wholly and exclusively for the production of income	The whole amount
• Business entertainment expenses	amount in excess of 1% of the gross income or €17.086 (whichever is lower)
• Private motor vehicle expenses	The whole amount
• Immovable property tax	The whole amount

- Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of purchase of the relevant asset. The whole amount

Interest expense incurred for the acquisition of shares in a wholly owned (direct or indirect) subsidiary will be deductible for income tax purposes provided that this subsidiary does not own (directly or indirectly) any assets which are not used in the business. If this subsidiary does own (directly or indirectly) assets that are not used in the business, the interest expense that corresponds to the percentage of assets not used in the business will not be deductible. This applies to shares acquired from 1 January 2012.

- Expenditure which is not supported by appropriate supporting documentation as required by the relevant Regulations The whole amount
- Wages and salaries relating to services offered within the tax year on which social insurance and other contributions, have not been paid in the year in which they were due The whole amount

In case the above contributions (including any penalties and interest) are paid within 2 years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

Loans or other financial assistance provided to company directors or individual shareholders

Any amount provided by the company as a loan or financial assistance to a director, or to an individual shareholder, or to his/her spouse, or to any relative up to a second degree is considered as a monthly benefit equal to 9% p.a. calculated on the amount received. Such benefit, is included in the individual's taxable income subject to income tax.

The amount of tax on the monthly benefit should be withheld from the individual's monthly salary and paid to the Tax Department on a monthly basis under the PAYE system.

Annual wear and tear allowances

Annual wear and tear allowances available for companies (pages 14 and 15) are also available to individuals.

Losses

Losses carried forward

Individuals who have an obligation to prepare audited financial statements (i.e. those with turnover in excess of €70,000) may carry forward tax losses incurred during a tax year over the next five years, to be offset against taxable income.

Where a person, including a partnership, converts his/her business into a limited liability company, any unutilised tax losses can be transferred to the new company.

Losses of a permanent establishment outside the Republic

Tax losses arising from a permanent establishment maintained outside the Republic can be offset against taxable profits of the company arising in the Republic in the same year. However, any subsequent taxable profits from such a permanent establishment are taxable up to the amount of tax losses previously offset.

Personal Tax Allowances

The following are deductible from income:

	Allowance
Social insurance contributions, contributions to approved provident and pension funds and the General Health Plan, contributions to medical or other approved funds as well as life insurance premiums in respect of the life of the claimant (note 11)	limited to 1/6 of the taxable income before this allowance

Tax credit for foreign tax paid

Any foreign tax paid on income subject to income tax in Cyprus is credited against any Cyprus income tax payable on such income, irrespective of the existence of a tax treaty.

Income Tax

Companies

A company which is tax resident in the Republic, is taxed on income accruing or arising from sources both within and outside the Republic.

A company which is not tax resident in the Republic, is taxed on income accruing or arising only from sources within the Republic.

Tax residency

A company is tax resident in the Republic if it is managed and controlled from the Republic.

Tax rate

Corporate income tax 12,5%

Exemptions

The following are exempt from corporate income tax:

	Exemption
• Dividend income (note 5)	The whole amount
• Interest income, excluding interest income arising in the ordinary course of the business or closely connected with the ordinary carrying on of the business	The whole amount
• Foreign Exchange (FX) gains with the exception of FX gains arising from trading in foreign currencies and related derivatives (note 3)	The whole amount
• Gains arising from the disposal of Securities (note 4)	The whole amount
• Gains arising from a Restructuring (note 10)	The whole amount
• Profits from a permanent establishment maintained outside the Republic (subject to certain conditions)	The whole amount
• Rent from preserved building (subject to certain conditions)	The whole amount

Deductible expenses

All expenses incurred wholly and exclusively for the production of income are deductible in calculating taxable income, including:

	Deduction
• Interest incurred for the acquisition of a fixed asset used in the business	The whole amount
• Notional interest deduction (NID) on new equity (note 6)	Up to 80% of the taxable profit derived from assets financed by the new equity
• Expenditure for the maintenance of buildings under preservation order (subject to certain conditions)	Depends on the size of the building
• Donations to approved charitable organisations (with receipts)	The whole amount
• Profits from the exploitation of intellectual property rights (page 16)	Up to 80%
• Profits from the disposal of intellectual property rights (page 16)	Up to the whole amount
• Employer's contributions to approved funds on employees' salaries	The whole amount
• Expenditure for scientific research including research and development undertaken by an innovative business	The whole amount

Non-deductible expenses

The following expenses are not deductible in calculating taxable income:

	Non-deductible
• Expenses not incurred wholly and exclusively for the production of income	The whole amount
• Business entertainment expenses	amounts in excess of 1% of the gross income or €17.086 (whichever is lower)

- Private motor vehicle expenses The whole amount
- Interest payable or deemed to be payable in relation to the acquisition of a private motor vehicle, irrespective of whether it is used in the business or not, or other asset not used in the business. This restriction is lifted after 7 years from the date of acquisition of the relevant asset The whole amount

Interest expense incurred for the acquisition of shares in a wholly owned (direct or indirect) subsidiary will be deductible for income tax purposes provided that this subsidiary does not own (directly or indirectly) any assets which are not used in the business. If this subsidiary does own (directly or indirectly) assets that are not used in the business, the interest expense that corresponds to the percentage of assets not used in the business will not be deductible. This applies to shares acquired from 1 January 2012.

- Expenditure which is not supported by appropriate supporting documentation as required by the relevant Regulations The whole amount
- Wages and salaries relating to services offered within the tax year on which social insurance and other contributions have not been paid in the year in which they were due will not be tax deductible for the calculation of taxable income The whole amount

In case the above contributions (including any penalties and interest) are paid within two years following the due date, such wages and salaries will be tax deductible in the tax year in which they are paid.

Losses

Losses carried forward

Companies may carry forward tax losses incurred during a tax year over the next five years to be offset against taxable income.

Group relief

Current year tax losses may be surrendered by one Cyprus tax resident group company to another. A group company which is tax resident in another EU country may also surrender current year tax losses to a Cyprus tax resident company, provided such company

firstly exhausts all possibilities available to utilise its tax losses in its country of residence or in the country of any intermediary EU holding company.

Group relief is available if both companies are members of the same group for the entire tax year.

Two companies are considered to be part of a group for group relief purposes if:

- one is a 75% subsidiary of the other, or
- both are 75% subsidiaries of a third company

The interposition of a non-Cyprus tax resident company does not affect the eligibility for group relief as long as such company is tax resident in either an EU country or in a country with which Cyprus has either a tax treaty or an exchange of information treaty (bilateral or multilateral).

Where a company has been incorporated by its parent company during the tax year, this company will be deemed to be a member of this group for group relief purposes for that tax year.

Losses of a permanent establishment outside the Republic

Tax losses arising from a permanent establishment outside the Republic may be offset against taxable profits of the company arising in the Republic in the same year. However, any subsequent taxable profits from such a permanent establishment are taxable, up to the amount of tax losses previously offset.

Tax credit for foreign tax paid

Any foreign tax paid on income subject to income tax in Cyprus is credited against any Cyprus income tax payable on such income, irrespective of the existence of a tax treaty.

Special Modes of Taxation

Insurance companies

Insurance companies are generally taxable in the same way as all other companies. In the case where there is no tax payable or where the tax payable on the taxable income of the life business is less than 1,5% of the gross insurance premiums, then the insurance company pays the difference as additional tax.

Pension income from services rendered abroad

The pension income of any individual resident in the Republic, which arises from services rendered abroad, is taxed at a rate of 5% for amounts exceeding €3.420 per annum.

The taxpayer has the right to choose to be taxed either under the special mode of taxation as stated above or under the personal income tax rates (page 2). If the latter is chosen the pension is added to the individual's aggregate taxable income.

Widow's pension

The total amount of widow's pension received from the Social Insurance Fund and/or other approved pension funds is taxed at the flat rate of 20% on amounts exceeding €19.500. The taxpayer can however elect to be taxed in accordance with the personal income tax rates (page 2).

Intellectual property rights etc.

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic and does not arise from a permanent establishment in the Republic, is subject to withholding tax at a rate of 10% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

Rights granted for use outside the Republic are not subject to any withholding tax.

Film royalties etc.

The gross income derived by a non-resident person in respect of royalties arising from film projection in the

Republic is subject to withholding tax at a rate of 5% (unless a tax treaty provides for a lower tax rate).

Royalties received by a connected company registered in a European Union Member State are exempt from withholding tax (subject to conditions).

Profits of professionals, entertainers etc.

The gross income derived by an individual not resident in the Republic from the exercise in the Republic of any profession or vocation, the remuneration of public entertainers not resident in the Republic, and the gross receipts of any theatrical or musical or other group of public entertainers, including football clubs and other athletic missions from abroad, derived from performances in the Republic is subject to a 10% withholding tax (unless a tax treaty provides for a lower tax rate).

Income from Oil & Gas related activities

The gross amount or other income derived from sources within the Republic by any person who is not resident in the Republic, which does not arise from a permanent establishment in the Republic, as consideration for services carried out in the Republic with respect to the extraction, exploration or exploitation of the continental shelf, subsoil or natural resources, as well as the installation and exploitation of pipelines and other installations on the ground, the seabed or above the surface of the sea, is subject to tax at the rate of 5% (unless a tax treaty provides for a lower tax rate).

Technical assistance

The gross income arising from sources within the Republic, as consideration for technical assistance provided by any person who is not resident in the Republic, is subject to a 10% withholding tax. Such income is exempt from withholding tax if the services are provided by a permanent establishment in Cyprus.

Payment of tax withheld

Tax withheld on payments to non-Cypriot residents should be paid to the Tax Department by the end of the following month.

In case where the tax withheld is not paid within the deadline, an additional penalty of 5% is imposed on the tax withheld in addition to any interest that may be imposed.

Annual Wear and Tear Allowances

Annual wear and tear allowances are calculated as a percentage on the cost of acquisition of the asset used in the business, and are deductible from taxable income.

Plant and machinery	Rate
• Fork lifts, excavators, loading vehicles, bulldozers and oil barrels	25%
• Motor vehicles of all types except for private saloon cars	20%
• Personal computers (hardware) and operating software	20%
• Application software	
- up to €1.709	100%
- above €1.709	33 1/3%
• Plant and machinery used in agriculture*	15%
• Water drillings, industrial carpets, video recorders, televisions*	10%
• Any other plant and machinery*	10%
• Furniture and fittings	10%
*If acquired between 2012 - 2018	20%

Buildings

• Metallic frame of greenhouses	10%
• Wooden frame of greenhouses	33 1/3%
• Industrial, agricultural and hotel buildings**	4%
• Commercial buildings	3%
**Industrial and hotel buildings acquired between 2012 - 2018	7%

Ships

• Steamships, tug-boats and ships used in the fishing industry	6%
• Sailings vessels	4 1/2%
• Ship launching machinery	12 1/2%

- Used ships in accordance with special agreement
- New commercial ships 8%
- New passenger ships 6%
- Used commercial and passenger ships and capital additions remaining useful economic life in accordance with the class certificate

Tools

- All tools in general 33 1/3%

Specialised fixed assets

- Armored cars 20%
(used by businesses which provide security services)
- Motor yachts 6%
- Wind generators 10%
(the cost should include the cost of installation reduced by any amount of subsidy received)
- Photovoltaic systems 10%
(the cost should include the cost of installation reduced by any amount of subsidy received)
- New airplanes 8%
- New helicopters 8%
- Specialized machineries for rail roading 20%
(e.g. Locomotive engines, Ballast wagon, container wagon and container sleeper wagon)

Intangible assets

- Intangible assets with some exceptions (note 12) 5%-100%

Profits from Intellectual Property (IP)

Old IP regime

Under the old IP regime, qualifying intangible assets (IP) are those defined in the Patent Rights Law, the Intellectual Property Law and the Trademarks Law.

In calculating the taxable profit, an 80% deemed deduction applies to the net profit from the exploitation and/or disposal of such intangible assets.

Any capital gain from the sale of such intangible asset by any person who did not enjoy the tax benefits of the provisions of the old IP regime is exempt from tax.

The net profit is calculated after deducting from the income and/or profit that is generated from the exploitation and/or disposal of such intangible assets, all direct expenses associated with the production of this income or profit, as well as a 20% annual capital allowance, applicable on the cost of acquisition and/or development of such an intangible asset.

Where a net loss is created, only 20% of such loss is eligible to be surrendered for group relief and/or carried forward.

The taxpayer may choose to forego the whole or part of the deduction in each year of assessment.

The above provisions can apply until the 30th of June 2021, to intangible assets that qualified under the old IP regime before 2 January 2016, or to certain IP acquired during the period 2 January 2016 – 30 June 2016.

New IP regime

The provisions of the new IP regime are effective from 1 July 2016.

According to the new regime, qualifying intangible asset means an asset which was acquired, developed or exploited by a person in the course of carrying on a business and which constitutes intellectual property, other than marketing related intellectual property associated with promotion (marketing) and which is the result of research and development activities, including an intangible asset for which there is only economic ownership.

In calculating the taxable profit, an 80% deemed deduction applies to the profit from the exploitation of such qualifying intangible assets which is calculated based on a specific formula that follows the modified nexus approach.

Capital gains arising from the disposal of a qualifying asset are not included in the qualifying profits and are fully exempt from income tax.

The taxpayer may choose to forego the whole or part of the deduction in each year of assessment. Where the calculation of qualifying profits results in a loss, only 20% of this loss may be carried forward or group relieved.

The capital cost of any qualifying intangible asset is tax deductible as a capital allowance (page 15 and note 12).

Special Contribution for Defence

The persons that are subject to special contribution for defence are:

- Cyprus tax resident companies
- Individuals who are tax resident and domiciled in Cyprus (note 7)

Special contribution for defence is imposed on the following sources of income at the rates indicated below:

Source	Rates
• Dividends	17%
• Interest income	30%
• Interest received by an individual from Government Savings Certificates and Government Bonds	3%
• Interest earned by an approved provident fund	3%
• Interest earned by the Social Insurance Fund	3%
• Rental income less 25%	3%

Dividends

Exemptions:

- dividends received by a company resident in the Republic from another company resident in the Republic, excluding dividends paid indirectly after the lapse of 4 years from the end of the year in which the profits which were distributed as dividends were generated (please see anti-abuse provision in note 8).
- dividends received directly or indirectly from dividends on which defence contribution has already been paid.
- dividends received by a company resident in the Republic or a company not resident in the Republic which maintains a permanent establishment in the Republic from a company which is not resident in the Republic.

This exemption does not apply if:

- more than 50% of the activities of the non-resident dividend paying company lead to investment income; and
- the foreign tax burden on the income of the dividend paying company is substantially lower than the tax burden of the Cyprus tax resident company or the non-resident company which has a permanent establishment in the Republic.

Interest income

Interest earned as a result of the ordinary carrying on of the business (including interest closely connected to the ordinary carrying on of the business, and interest earned by a collective investment scheme) is not considered interest for special contribution for defence purposes and is exempt from special contribution for defence.

An individual whose total annual income, including interest, does not exceed €12.000, who receives interest which has been subject to defence contribution, has the right to a refund of the amount of defence contribution suffered in excess of 3%.

Deemed distribution

A company resident in the Republic is deemed to have distributed 70% of its profits after taxation in the form of dividends at the end of the two years from the end of the tax year in which such profits were generated. Special contribution for defence is imposed to the extent that the ultimate direct/indirect shareholders of the company are Cyprus tax resident and Cyprus domiciled individuals.

The deemed distribution provisions do not apply to profits which relate directly or indirectly to non-resident or resident but non-domiciled shareholders.

For the purpose of calculating the amount of the deemed distribution, the term «profits» means the accounting profits arrived at using generally acceptable accounting principles, after the deduction of any transfers to reserves as specified by any law. Any losses brought forward, group losses as well as any amounts, including any additional depreciation, which emanate from the revaluation of movable and immovable property are ignored.

The term «taxation» includes:

- The corporation tax, which includes charges of additional tax
- the special contribution for defence
- the capital gains tax and
- any tax paid abroad that has not been credited against income tax and/or special defence tax payable for the relevant year

The amount of deemed dividend is reduced by the amount of actual dividend distributed during the year the profits were generated, or the following two years.

In case where an actual dividend is paid after the deemed dividend distribution date, any deemed distribution reduces the actual dividend on which the defence contribution is withheld.

In the case of an individual not resident or non-domiciled in the Republic receiving dividends from a company which is resident in the Republic, emanating from profits which at any stage were subject to deemed distribution, the defence contribution paid as a result of the deemed distribution which is attributable to such person is refundable.

A person who is deemed to receive dividends from a collective investment scheme is subject to a defence contribution of 3% on the deemed dividend.

The deemed distribution provisions do not apply to profits arising either from a loan restructuring (note 10), subject to conditions, or from a reorganisation (note 13).

Disposal of assets to shareholders at less than market value

In the case where a company disposes an asset to its Cyprus tax resident and domiciled shareholder (individual) or to his/her relative of up to second degree of kindred or his/her spouse, without consideration or for a consideration which is less than the market value of the asset disposed, it is deemed that the company has distributed dividends to its shareholder, equal to the difference between the market value of the asset and the amount of the consideration.

The above provision will not apply in case where the asset was received by the company by way of a gift from its shareholder (individual) or from his/her relative of up to second degree of kindred or from his/her spouse.

Company dissolution

The aggregate profits of the last five years prior to the company's dissolution, which have not been distributed or been deemed to be distributed, will be considered as distributed on dissolution and will be subject to defence contribution.

Companies that are under voluntary dissolution or liquidation are obliged to submit within one month from the date of the approval of the resolution, a deemed dividend declaration and pay any special defence contribution in relation to the profits of the specific tax year and the two preceding years.

The deemed dividend distribution provisions do not apply on any accounting profits arising during the dissolution or liquidation if the assets of the company are not sufficient for the repayment of its creditors and no amount is available to be distributed to its shareholders.

Where assets are distributed to the company's shareholders upon the company's liquidation or dissolution, which have a market value that exceeds the cost of their acquisition by the company, the deemed distribution provisions will apply. The amount of the dividend that is deemed to be distributed to its shareholders will be equal to the difference between the market value of the assets and the cost of acquisition of the particular asset by the company.

The deemed dividend distribution of profits that become realised upon the company's dissolution or liquidation may not exceed the amount of the net assets distributed to the shareholders.

The dissolution of an open-ended or closed-ended collective investment scheme falls under the deemed distribution provisions but the undistributed profits will be subject to special defence contribution of 3%.

These provisions do not apply in the case of dissolution under reorganisation, in accordance with certain prerequisites set out in the relevant Regulations or where the shareholders are not resident or non-domiciled in the Republic.

Reduction of capital

In the case of a company's capital reduction, any amounts paid or due to shareholder individuals in excess of the amount of the share capital that was actually paid by the shareholder will be treated as a deemed dividend subject to special defence contribution (provided that the ultimate shareholders are Cyprus tax resident and Cyprus domiciled individuals).

The buy back or redemption of units or other ownership interests in an opened-ended or closed-ended collective investment scheme is not considered a capital reduction and is not subject to special defence contribution.

Tax credit for foreign tax paid

Any foreign tax paid on income subject to special defence contribution will be credited against any special defence contribution payable on such income irrespective of the existence of a tax treaty.

Profits from Shipping Activities

The following are exempt from taxation in accordance with the provisions of the Merchant Shipping (Fees and Taxing Provisions) Law and are subject to tonnage tax:

- The income of a qualifying ship-owner from the operation of a qualifying Cyprus, community and/or foreign (under conditions) ship, in a qualifying shipping activity.
- The income of a qualifying charterer from the operation of a qualifying Cyprus, community and/or foreign (under conditions) ship, in a qualifying shipping activity.
- The income of a qualifying ship operator from the provision of ship management services of the crew and/or technical administration services.
- Dividends paid directly or indirectly from the profits mentioned above.
- Salaries or other benefits paid to the masters, officers and the crew of a qualifying Cyprus ship in a qualifying shipping activity.

For the purpose of the above mentioned Law in the case of a Cyprus ship, the term «ship owner» includes also the bareboat chartered.

Capital Gains Tax

Capital gains tax is imposed at the rate of 20% on:

- gains from the disposal of immovable property situated in the Republic,
- gains from the disposal of shares of companies not listed on a recognised stock exchange which own immovable property situated in the Republic, and
- gains from the disposal of shares of companies which indirectly own immovable property situated in the Republic and derive at least 50% of their market value from such immovable property.

In computing the capital gain, the following are deducted from the sale proceeds:

- the value of the immovable property as at 1 January 1980 or cost if the date of acquisition is later, as adjusted for inflation
- the cost of any additions after 1 January 1980 or the date of acquisition if later, as adjusted for inflation
- certain expenditure incurred for the production of the gain.

Exemptions

The following disposals of immovable property are exempt from capital gains tax:

- transfer on death
- gifts between spouses, parents and children and relatives up to third degree of kindred
- gift to a company whose shareholders are members of the donor's family and continue to be members of the family for a period of five years from the date of the gift
- gift by a family company to its shareholders, if the company had also acquired the property in question via donation. However if the shareholder disposes the property within 3 years then the shareholder will not be entitled to the deductions listed below
- gifts to a charitable organisation or to the Republic
- exchange or disposal under the Agricultural Land (Consolidation) Laws
- exchange, provided the gain is used for the acquisition of new property. The gain derived from the exchange reduces the cost of the new property and the tax is paid when the latter is disposed
- expropriations
- transfer of ownership or share transfers in the event of company reorganisations
- transfer of property of a missing person under administration
- transfer of ownership between spouses that their marriage has been dissolved by a court order or in case of transfer of ownership between the same persons for the purpose of settling their property according to the Settlement of Property Relationships between Spouses Law
- principal residence (subject to conditions, note 9)

- transfer under a qualifying loan «Restructuring» (note 10)

Deductions

Individuals are entitled to deduct from the gains the following lifetime deductions:

	€
Disposal of principal private residence (subject to conditions)	85.430
Disposal of agricultural land by a farmer	25.629
Other disposals	17.086

Administrative penalties

Administrative penalties amounting to €100 or €200 depending on the specific case, are imposed for late submission of declarations or late submission of supporting documentation requested by the Commissioner.

In the case of late payment of the tax due, an additional penalty of 5% is imposed on the unpaid tax.

Estate Duty

Estate duty is not levied in relation to individuals who have died on or after 1 January 2000.

In accordance with the Deceased Persons Estate (Taxation Regulations) Law of 2000, the administrator of the estate of the deceased is required to submit a statement of Assets and Liabilities of the deceased to the Commissioner of Taxation within 6 months from the date of death.

Immovable Property Tax

Immovable property tax has been abolished as from 1 January 2017.

Maintenance of Accounting Books and Records

Every person (individual, company or partnership) deriving income from the following sources:

- i. profits or other benefits from any business, or
- ii. dividends, interest or discounts or
- iii. profits or other benefits from any office or employment, leasing, intellectual property rights, patent rights, remuneration or other profits arising from ownership or
- iv. trade goodwill

is obliged to:

- issue receipts and invoices, as specified by relevant Regulations. Invoices should be issued within 30 days from the date of the transaction unless a written approval has been obtained by the Commissioner for the purpose of issuing the invoices at a later date. In case where invoices are not issued within the prescribed deadline, a penalty of €100 per month will be imposed.
- maintain accounting books and records and prepare financial statements in accordance with acceptable accounting standards, that are audited in accordance with acceptable auditing standards, by a person that is eligible to act as an auditor of a company in accordance with the Companies Law.
- update its accounting books and records within four months from the date of the transactions. In the case where accounting books and records are not updated within the prescribed deadline, a penalty of €100 per quarter will be imposed.

An individual is exempt from the obligation to maintain accounting books and records where the annual turnover does not exceed the amount of €70.000.

Accounting books and records should be kept for a period of at least six years.

Tax Treaties

Income received in Cyprus

The following table and accompanying notes list the maximum withholding tax rates that may be deducted from income received by a Cyprus tax resident from a resident of a country that has signed a tax treaty with Cyprus.

Paid from	Dividends	Interest	Royalties
	%	%	%
Armenia	0 ⁽³²⁾	5 ⁽³³⁾	5
Austria	10	0	0
Bahrain	0	0	0
Barbados ⁽³¹⁾	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10 ⁽¹⁶⁾	0
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10 ⁽²⁰⁾
Canada	15	15 ⁽⁸⁾	10 ⁽¹¹⁾
China	10	10	10
Czech Republic	0 ⁽³⁰⁾	0	10
Denmark	0 ⁽³⁴⁾	0	0
Egypt	15	15	10
Ethiopia	5	5	5
Estonia	0	0	0
Finland	5 ⁽³⁷⁾	0	0
France	10 ⁽⁷⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia	0	0	0
Germany	5 ⁽²⁾	0	0
Greece	25	10	0 ⁽¹²⁾
Guernsey	0	0	0
Hungary	5 ⁽¹⁾	10 ⁽⁸⁾	0
Iceland	5 ⁽³⁹⁾	0	5
India	10	10 ⁽⁸⁾	10
Iran	5 ⁽¹⁹⁾	5	6
Ireland	0	0	0 ⁽¹²⁾
Italy	15	10	0
Jersey	0	0	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Latvia	0 ⁽⁴²⁾	0 ⁽⁴²⁾	0 ⁽⁴³⁾
Lebanon	5	5 ⁽¹⁶⁾	0
Lithuania	0 ⁽⁴⁰⁾	0	5
Luxembourg ⁽³¹⁾	0 ⁽³⁵⁾	0	0
Malta	0 ⁽²²⁾	10 ⁽⁸⁾	10
Mauritius	0	0	0
Moldova	5 ⁽¹⁹⁾	5	5
Montenegro ⁽²⁸⁾	10	10	10
Norway	0 ⁽³⁾	0	0
Poland	0 ⁽³⁶⁾	5 ⁽⁸⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Russia	5 ⁽⁶⁾	0	0
San Marino	0	0	0
Saudi Arabia ⁽³¹⁾	0 ⁽⁴⁴⁾	0	5 ⁽⁴⁵⁾
Serbia ⁽²⁸⁾	10	10	10
Seychelles	0	0	5
Singapore	0	10 ⁽²³⁾	10
Slovakia ⁽²⁹⁾	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Slovenia	5	5 ⁽³³⁾	5
South Africa	10 ⁽⁴¹⁾	0	0
Spain	0 ⁽³⁵⁾	0	0
Sweden	5 ⁽¹⁾	10 ⁽⁸⁾	0
Switzerland	0 ⁽³⁸⁾	0	0
Syria	0 ⁽¹⁾	10 ⁽⁸⁾	15 ⁽¹³⁾
Tajikistan ⁽²⁷⁾	0	0	0
Thailand	10	15 ⁽¹⁷⁾	5 ⁽¹⁸⁾
Ukraine	5 ⁽²¹⁾	2	5 ⁽¹⁵⁾
United Arab Emirates	0	0	0
United Kingdom	0 ⁽²⁴⁾	10	0 ⁽²⁶⁾
USA	5 ⁽⁵⁾	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0

Payments from Cyprus

Payments of dividends and interest by Cyprus tax residents to non-Cyprus tax residents are exempt from withholding tax in Cyprus according to the Cyprus tax legislation. Royalties granted for use outside of Cyprus are also free of withholding tax in Cyprus.

The following table and accompanying notes list the maximum withholding tax rates provided in the relevant tax treaties.

Paid to	Dividends	Interest	Royalties
	%	%	%
Non-treaty countries	0	0	0*
Armenia	0 ⁽³²⁾	5 ⁽³³⁾	5
Austria	10	0	0
Bahrain	0	0	0
Barbados ⁽³¹⁾	0	0	0
Belarus	5 ⁽⁴⁾	5	5
Belgium	10 ⁽¹⁾	10	0
Bulgaria	5 ⁽¹⁹⁾	7 ⁽²⁵⁾	10
Canada	15	15 ⁽⁸⁾	10 ⁽¹¹⁾
China	10	10	10
Czech Republic	0 ⁽³⁰⁾	0	10
Denmark	0 ⁽³⁴⁾	0	0
Egypt	15	15	10
Ethiopia	5	5	5
Estonia	0	0	0
Finland	5 ⁽³⁷⁾	0	0
France	10 ⁽⁷⁾	10 ⁽⁹⁾	0 ⁽²⁶⁾
Georgia	0	0	0
Germany	5 ⁽²⁾	0	0
Greece	25	10	0 ⁽¹²⁾
Guernsey	0	0	0
Hungary	0	10 ⁽⁸⁾	0
Iceland	5 ⁽³⁹⁾	0	5
India	10	10 ⁽⁸⁾	10
Iran	5 ⁽¹⁹⁾	5	6
Ireland	0	0	0 ⁽¹²⁾
Italy	0	10	0
Jersey	0	0	0
Kuwait	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Kyrgyzstan ⁽²⁷⁾	0	0	0
Latvia	0 ⁽⁴²⁾	0 ⁽⁴²⁾	0 ⁽⁴³⁾
Lebanon	5	5 ⁽¹⁶⁾	0
Lithuania	0 ⁽⁴⁰⁾	0	5
Luxembourg ⁽³¹⁾	0 ⁽³⁵⁾	0	0
Malta	15	10 ⁽⁸⁾	10
Mauritius	0	0	0
Moldova	5 ⁽¹⁹⁾	5	5
Montenegro ⁽²⁸⁾	10	10	10
Norway	0	0	0
Poland	0 ⁽³⁶⁾	5 ⁽⁸⁾	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Russia	5 ⁽⁶⁾	0	0
San Marino	0	0	0
Saudi Arabia ⁽³¹⁾	0 ⁽⁴⁴⁾	0	5 ⁽⁴⁵⁾
Serbia ⁽²⁸⁾	10	10	10
Seychelles	0	0	5
Singapore	0	10 ⁽²³⁾	10
Slovakia ⁽²⁹⁾	10	10 ⁽⁸⁾	5 ⁽¹⁴⁾
Slovenia	5	5 ⁽³³⁾	5
South Africa	10 ⁽⁴¹⁾	0	0
Spain	0	0	0
Sweden	5 ⁽¹⁾	10 ⁽⁸⁾	0
Switzerland	0 ⁽³⁸⁾	0	0
Syria	0 ⁽¹⁾	10 ⁽⁸⁾	15 ⁽¹³⁾
Tajikistan ⁽²⁷⁾	0	0	0
Thailand	10	15 ⁽¹⁷⁾	5 ⁽¹⁸⁾
Ukraine	5 ⁽²¹⁾	2	5 ⁽¹⁵⁾
United Arab Emirates	0	0	0
United Kingdom	0	10	0 ⁽²⁶⁾
USA	0	10 ⁽¹⁰⁾	0
Uzbekistan ⁽²⁷⁾	0	0	0

- * 10% in the case of royalties granted for use within the Republic. 5% on film and TV rights.
- (1) 15% if received by a company controlling less than 25% of the voting power.
- (2) 5% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
- (3) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 15% in all other cases.
- (4) 5% if the amount invested by the beneficial owner is over €200.000 irrespective of the % of voting power acquired. 10% is imposed if received by a holder of at least 25% of the share capital of the paying company. Otherwise the rate is 15%.
- (5) 5% if received by a company controlling at least 10% of the voting power. 15% in all other cases.
- (6) 10% if received by company, which has invested less than €100.000.
- (7) 10% if received by a company controlling more than or equal to 10% of the capital. 15% in all other cases.
- (8) NIL if paid to the Government of the other State.
- (9) NIL if paid to the Government of the other State or in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise by one enterprise to another or in relation to any form of loan granted by a bank or is guaranteed from government or other governmental organisation.
- (10) NIL if paid to the Government of the other State, to a bank or a financial institution or in respect to debt obligations arising in connection with sale of property or the provision of services.
- (11) NIL on literary, dramatic, musical or artistic work with the exception of films used for television programs.
- (12) 5% on film royalties (except films shown on TV).
- (13) 10% on literary, musical, artistic work, films and TV royalties.
- (14) NIL on literary, artistic or scientific work including films.
- (15) 5% on royalty payments in respect of any copyright of scientific work any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% in all other cases.
- (16) NIL if paid to the Government of the other State, a political subdivision or a local authority, the National Bank or any institution the capital of which is wholly owned by the State or a political subdivision or a local authority or in the form of interest income from bank deposits.
- (17) 10% on interest received by financial institutions, on interest paid in connection with industrial, commercial, scientific equipment or the sale or merchandise between two companies.
- (18) 10% on right to use industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific

experience and 15% for patents, trademarks, designs, models, plans, secret formulas or processes.

- (19) 5% if the dividend is received by a company owning directly at least 25% of the capital of the company paying dividend. 10% in all other cases.
- (20) This rate does not apply, where 25% or more of the capital of the Cypriot resident is owned directly or indirectly by the Bulgarian resident paying the royalties and the Cyprus company pays less than the normal rate of tax.
- (21) 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company or has invested in the acquisition of shares or other rights of the dividend paying company of at least €100.000. 15% in all other cases.
- (22) The treaty provides that the tax on the gross amount of the dividends shall not exceed that chargeable on the profits out of which the dividends are paid.
- (23) 7% if paid to a bank or similar financial institution. NIL if paid to the government.
- (24) The treaty provides for 15% withholding tax but the local taxation provides for 0% withholding tax.
- (25) NIL if paid to or is guaranteed by the Government, statutory body, the Central Bank.
- (26) 5% on film royalties, including films used for television programs.
- (27) The treaty between the Republic of Cyprus and the United Soviet Socialist Republic still applies.
- (28) The treaty between the Republic of Cyprus and the Socialist Federal Republic of Yugoslavia still applies.
- (29) The treaty between the Republic of Cyprus and the Czechoslovak Socialist Republic still applies.
- (30) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends where such holding is being possessed for an uninterrupted period of not less than one year. 5% in all other cases.
- (31) The treaty has been signed but has not come into effect until the time of publication of this guide.
- (32) 5% if the beneficial owner has invested in the capital of the company less than the equivalent of €150.000 at the time of the investment.
- (33) NIL if paid to the Government or to a local authority, or to the Central Bank.
- (34) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of no less than 12 months.

NIL if the beneficial owner is the other Contracting State or

the Central Bank of that other State, or any national agency or any other agency (including a financial institution) owned or controlled by the Government of that other State.

NIL if the beneficial owner is a pension fund or other similar institution providing pension schemes in which individuals may participate in order to secure retirement benefits, where such pension fund or other similar institution is established, recognized for tax purposes and controlled in accordance with the laws of that other State. 15% in all other cases.

- (35) NIL if the dividend is received by a company (other than a partnership) holding at least 10% of the capital of the dividend paying company. 5% in all other cases.
- (36) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends, where such holding is being possessed for an uninterrupted period of no less than 24 months. 5% in all other cases.
- (37) 5% if the dividend is received by a company (other than a partnership) which controls directly at least 10% of the voting power in the company paying the dividends. 15% in all other cases.
- (38) NIL if the beneficial owner is:
 - (i) a company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year.
 - (ii) a pension fund or other similar institution recognised as such for tax purposes, or
 - (iii) the Government, a political subdivision, local authority or central bank of one of the two contracting states. 15% in all other cases.
- (39) 5% if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends. 10% in all other cases.
- (40) NIL if the beneficial owner is a company (other than a partnership) which holds directly at least 10% on the capital of the company paying the dividends. 5% in all other cases.
- (41) 5% if the dividend is received by a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases.
- (42) NIL if the beneficial owner is a company (other than a partnership). 10% in all other cases.
- (43) NIL if the beneficial owner is a company (other than a partnership). 5% in all other cases.
- (44) NIL if the beneficial owner is a company which holds directly or indirectly at least 25% of the capital of the company paying the dividends. 5% in all other cases.
- (45) 5% on royalties for the use of, or the right to use, industrial, commercial or scientific equipment. 8% in all other cases.

Tax Calendar

Date	Obligation	Tax Form
End of each month	Payment of PAYE deducted from employees' salaries for the previous month	TD61
	Payment of tax withheld on payments made to non-Cyprus tax residents during the previous month	TD11
	Payment of special contribution for defence withheld on dividends, interest or rent* paid in the previous month to Cyprus tax residents *Where the tenant is a Cyprus company, partnership, the Government or a local authority there is an obligation to withhold special contribution for the defence on the amount of the rent paid	TD601
31 January	Submission of the deemed dividend distribution declaration for the tax year 2015	TD623
31 March	Electronic submission of the income tax return for individuals and companies preparing audited financial statements for the tax year 2016	TD1, TD4
30 April	Payment of the first instalment of the premium tax for insurance companies (life business) for 2018	TD199
30 June	Payment of tax balance for the tax year 2017 through self-assessment by individuals who don't prepare audited financial statements)	TD158
	Payment of special contribution for defence on rents, dividends or interest from sources outside of Cyprus for the first 6 months of 2018	TD601

31 July	Electronic submission of the 2017 personal tax return by salaried individuals whose gross income exceeds €19.500 for the tax year 2017	TD1
	Electronic submission of the 2017 employers' return	TD7
	Submission of the 2018 provisional tax return and payment of the first provisional tax instalment	TD5, TD6
1 August	Payment of the 2017 tax balance through self-assessment by individuals and companies preparing audited financial statements	TD158
31 August	Payment of the second instalment of the premium tax for insurance companies (life business) for 2018	TD199
30 September	Electronic submission of the 2017 personal tax return by individuals who do not prepare audited financial statements if their gross income exceeds €19.500 for the tax year 2017	TD1
31 December	Submission of the 2018 revised provisional tax return (if applicable) and payment of the second provisional tax instalment	TD5, TD6
	Payment of special contribution for defence on rents, dividends or interest from sources outside of Cyprus for the last 6 months of 2018	TD601
	Payment of the third and last instalment of the premium tax for insurance companies (life business) for 2018.	TD199

Electronic submission of tax returns

Every person (individual or company) who has an obligation to submit a tax return in accordance with the provisions of the Assessment and Collection of Taxes law must do so electronically.

Administrative penalties

An administrative penalty of €100 or €200 (depending on the specific case), is imposed for the late submission of a tax return or late submission of supporting documentation requested by the Commissioner.

In the case of late payment of the tax due, a penalty of 5% is imposed on the unpaid tax. An additional penalty of 5% is imposed if the tax remains unpaid 2 months after the payment deadline.

Public interest rate

The interest rate applicable on late payment of taxes is set by the Minister of Finance through a Decree and it is applicable for the whole year. The rate for 2018 is 3,5%.

The applicable interest rates for the previous years are as follows:

Period	Interest rate
	%
Up to 31/12/2006	9
1/1/2007 - 31/12/2009	8
1/1/2010 - 31/12/2010	5,35
1/1/2011 - 31/12/2012	5
1/1/2013 - 31/12/2013	4,75
1/1/2014 - 31/12/2014	4,5
1/1/2015 - 31/12/2016	4
1/1/2017 - 31/12/2017	3,5

Value Added Tax

Imposition tax

Value Added Tax is imposed on the supply of all goods and services in Cyprus, on the acquisition of goods from other Member States and on the importation of goods from third countries.

Rates

Standard rate	19%
Reduced rate	9%
Reduced rate	5%
Zero rate	0%

Standard rate

The standard rate applies to the supplies of all goods and services in Cyprus which are not subject to the zero rate, the reduced rate or are not exempt.

Reduced rate 9%

The reduced rate of 9% applies to:

- All restaurant and catering services (including the supply of alcoholic drinks, beer, wine and soft drinks)
- Accommodation in hotels, tourist lodgements and any other similar lodgements including the provision of holiday lodgements
- Transportation of passengers and their accompanying luggage within the Republic using urban, intercity and rural taxis and tourist and intercity buses
- Movement of passengers in inland waters and their accompanying luggage.

Reduced rate 5%

The reduced rate of 5% applies to:

- The supply of foodstuff
- The supply of prepared or unprepared foodstuff and/or beverages (excluding alcoholic drinks, beer, wine and soft drinks) or both, irrespective of whether the goods are delivered from the supplier to the customer or taken away by the customer
- The supply of pharmaceutical products and vaccines that are used for health care, prevention of illnesses and as treatment for medical or veterinary purposes
- The supply of live animals used for the preparation of food
- Books, newspapers and magazines
- Entry fees to theaters, circus, festivals, luna parks, concerts, museums etc
- Entry fees at sports events and fees for using athletic centres
- Hairdressing services
- Renovation and repair of private households after three years of first residence (see details below)
- Supply of catering services from school canteens
- Acquisition or construction of residence (subject to conditions, see details below)

Zero rate

The zero rate applies to:

- The exportation of goods
- Supply, modification, repair, maintenance, chartering and hiring of sea-going vessels, which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or other activities
- Supply, modification, repair, maintenance, chartering and hiring of aircrafts, used by airlines operating for reward mainly on international routes
- Supply of services to meet the direct needs of sea going vessels and aircrafts
- Transportation of passengers from the Republic to a place outside the Republic and vice versa using a seagoing vessel or aircraft
- Supplies of gold to the Central Bank of the Republic etc.

Exemptions

Exempt supplies include:

- Rental of immovable property for residential purposes (see analysis below)
- Financial services (with some exceptions)
- Hospital and medical caring services
- Postal services
- Insurance services
- Disposal of immovable property where the application for building permission has been submitted prior to 1 May 2004
- Educational services at all levels of education under certain conditions.

Obligation for registration

Every individual or company is obliged to register if:

- (a) at the end of any month, the value of taxable supplies recorded in the last 12 months exceeds €15.600 or
- (b) at any point in time the value of taxable supplies are expected to exceed €15.600 in the next 30 days
- (c) provides services to a VAT registered person within the European Union with nil registration threshold
- (d) is involved in the acquisition of goods from other EU member states (relates to persons who offer exempt supplies of goods and services or are non-profitable organisations) with registration threshold of €10.250
- (e) offers zero rated supplies of goods or services
- (f) acquires a company on a going concern basis
- (g) a foreign taxable person makes distance sales with registration threshold of €35.000

Right for registration

Persons who trade, outside the Republic, in goods or services which would have been taxable if they were provided within the Republic, Groups of companies and Divisions of Companies.

VAT returns and payment / refund of VAT

Any registered person has to submit to the Commissioner a VAT return not later than the 10th day following the end of the month following the end of each VAT period and pay the VAT due.

As from 2 May 2017 all taxable persons have to submit their quarterly VAT returns online, via the Taxisnet system.

Claim for a VAT refund is made electronically by completing form 4B via the Taxisnet system as from the 2nd of May 2017.

Every taxable person who makes a claim for VAT refund will be entitled to repayment of the VAT amount with interest, in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

In case a VAT audit regarding the claim is conducted by the Commissioner, the time period of four months is extended to eight months.

From 2018, VAT refunds will be made via bank transfer.

Payment of the VAT due can be made through the till of any commercial bank, by bank transfer to the Central Bank, as well as via the «Internet Banking» platform of selected banking institutions.

Administration of intra-community trading and intra-community services

Businesses that undertake intra-community trading, i.e. acquisitions and sales of goods and supply of services from/to EU member states need to complete the following forms:

Intra-Community Acquisitions

1. Intrastat - Arrivals of Goods
2. Inclusion in the VAT return (on a total basis)

Intra-Community Supplies

1. Intrastat - Departures of goods
2. Recapitulative statement for supplies of goods and services (VIES form)
3. Inclusion in the VAT return (on a total basis)

Intrastat submission process

INTRASTAT forms are submitted to the Tax authorities within 10 days from the end of the related month, in electronic form

only, provided that the supplies of a taxable person exceed the registration threshold for Intrastat purposes.

The Recapitulative statement, is submitted to the Tax authorities within 15 days from the end of the related month in electronic form.

Penalties and interest

Late registration	€85 for every month of delay
Late submission of return	€51 for each return
Late payment of VAT	10% of amount due plus interest
Late de-registration	€85 one-off
Late submission of Intrastat form	€15 for each return
Late submission of Recapitulative statement (VIES return) for supplies	€50 for each statement

Tax Tribunal/Appeals

As from 7 July 2017, the right of taxable persons to appeal to the Minister of Finance is abolished and replaced with their right to submit a hierarchical appeal to the Tax Tribunal.

The hierarchical appeal should be filed within 45 days from the date of the notification to the taxable person of the relevant decision or act of the Commissioner (may be extended subject to the approval of the Tax Tribunal).

Imposition of 19% VAT on leasing and / or letting of immovable property for business purposes

As from 13 November 2017, VAT at 19% is imposed on the leasing and/or letting of immovable property to a taxable person for the purposes of carrying on taxable activities, commencing on/or after 13 November 2017.

The leasing of buildings used as residences remains an exempt transaction for VAT purposes.

The lessor has the right to notify the Tax Commissioner by submitting a relevant form, to opt for the non-imposition of VAT to the lessee of the immovable property, subject to the terms and conditions specified in the relevant Notification of the Tax Commissioner.

The initial decision of the lessor, to opt for the non-imposition of VAT of the immovable property is irrevocable.

Imposition of 19% VAT on non-developed building land

As from 2 January 2018, VAT at 19% is imposed on the transfer of non-developed building land. Specifically, VAT is imposed on the transfer of ownership, transfer of indivisible land portion, transfer of ownership under a sale agreement or an agreement which specifically provides that the ownership will be transferred on a future date or by virtue of a leasing agreement with the right to buy non-developed building land which is intended for the construction of one or more structures in the course of carrying out a business activity.

Non-developed building land includes all non-developed land plots that are intended for the construction of one or more structures. In the above definition are included non-developed building land that is either covered or not from the water supply and cover land plots of all sorts as listed below:

- Land plots under development
- Finished land plots
- Land plots with a final approval certificates or,
- Land plots with land title

Other types of land plots are also included in the list of non-developed building.

Imposition of the reduced rate of 5% on the acquisition and/or construction of residences for use as the primary and permanent place of residence

As from 8 June 2012, the reduced rate of 5% applies to the acquisition and/or construction of residences to be used by eligible persons (residents of the Republic or/and other EU member states or other non EU member states) as the primary and permanent place of residence, only after obtaining a certified confirmation from the Commissioner.

The statutory declaration may be filed at any stage at the time of construction of the residence or in case of supply prior to the eligible person obtaining possession.

As from 18 November 2016, the reduced rate of 5% applies for the first 200 square meters of the residence's buildable area as determined by the building coefficient (and not on the first 200

square meters of a residence which does not exceed 275 square meters as was the case up until 17 November 2016).

In case of families with more than 3 children the allowable total covered area increases respectively.

Under the new provisions of the law which apply as from 18 November 2016, a person who has exercised the right to purchase a residence with a reduced rate of VAT is eligible to exercise this right again for the purposes of the purchase of another residence before 10 years have elapsed only if that person has ceased to use the residence as the primary and permanent place of residence before the period of 10 years has elapsed, has notified the Tax Commissioner accordingly and has paid the difference in the VAT between the reduced VAT rate and standard VAT rate as were applicable during the time of delivery or construction of the residence.

Imposition of the reduced rate of 5% on the renovation and repair of private residential homes

The reduced rate of 5% on the renovation and repair of private residential homes applies to all the residential homes (and not only to the main and permanent place of residence applied as of 3/12/2015). The renovation and repair consists of plumbing, electrical, carpentry, painting, building and construction work. In cases that the value of the materials exceeds the total value of the supply by more than fifty per cent (50%), the value of the materials is subject to the standard rate of VAT.

Social Insurance and other Contributions

Contributions rates

Social insurance and other contributions are calculated on the employee's gross weekly/monthly emoluments at the following rates:

	Employer	Employee	Self employed
	%	%	%
Social Insurance	7,8	7,8	14,6
Redundancy Fund	1,2	-	-
Industrial Training	0,5	-	-
Social Cohesion Fund	2,0	-	-

Income limits

The above rates (excluding the rate applicable to contributions to the Social Cohesion Fund) are applied on the employee's gross emoluments subject to the following upper limits.

	per week	per month	per annum
	€	€	€
Weekly employees	1.046	-	54.392
Monthly employees	-	4.533	54.396

Contributions of self-employed individuals

The amount of contributions payable by self-employed individuals is subject to a lower and an upper limit (set on an annual basis) depending on the occupation of the self-employed individual.

Occupational Category	Lower Weekly Limit €	Upper Weekly Limit €
1. Medical Doctors, Pharmacists, Health professionals-		
a. persons with up to 10 years practice	383,64	1.046
b. persons with more than 10 years practice	775,99	1.046
2. Accountants, Economists, Lawyers and other Liberal professions-		
a. persons with up to 10 years practice	383,64	1.046
b. persons with more than 10 years practice	775.99	1.046

3.	Managers (Businessmen), Estate Agents, Wholesalers	775,99	1.046
4.	Teaching Professionals (University, Secondary education, Primary and pre-primary education, Teaching Associates, Special education teaching professionals)-		
	a. persons with up to 10 years practice	374,92	1.046
	b. persons with more than 10 years practice	749,83	1.046
5.	Builders and related occupations	470,83	1.046
6.	Farmers, Dairy and Livestock producers, Poultry producers, Fishermen and related occupations	261,57	1.046
7.	Drivers, Excavator operators and related occupations	374,92	1.046
8.	Technicians, Mass Media Associates, Stationary-Plant (not related to building occupations) and Metal, Rubber, Plastic, Wood and related product assemblers	374,92	1.046
9.	Clerks, Typists, Cashiers, Secretaries	374,92	1.046
10.	Artisans not falling under any other occupational category	374,92	1.046
11.	Shopkeepers	357,48	1.046
12.	Butchers, Bakers, Pastry-cooks, Meat, Milk, Fruit, Tobacco product makers/ preservers and related occupations	287,73	1.046
13.	Street vendors, Mail carriers, Garbage collectors, Miners and quarry workers, Deck,		

	Underwater workers, Riggers and cable splicers, Sweepers, Service providers and Salesmen	261,57	1.046
14.	Cleaners, Messengers, Watchpersons, Dry Cleaning Owners	357,48	1.046
15.	Draughtspersons, Computer equipment operators, Ships' engineers, Agents and related occupations Musicians, Magicians	383,64	1.046
16.	Persons not falling under any other occupational category	383,64	1.046

Deadline for payment of the contributions by the employers

The contributions that the employer is obliged to pay in accordance with the Law, should be paid not later than the end of the calendar month following the month that the contributions relate to.

Deadline for payment of the contributions by self-employed individuals

Months that the contributions relate to	Date
January - March	10th day following the end of the month following the end of each quarter
April - June	
July - September	
October - December	

Additional fee for late payment of contributions

Every employer or self-employed individual who fails to pay the contributions within the time limit, is obliged to pay an additional fee in the range of 3% and 27%, depending on the period of delay, calculated on the amount of contributions due for payment.

Transfer Fees for Immovable Property

Transfer fees

Transfer fees are paid by the acquirer to the Department of Land and Surveys on transfers of immovable property. The transfer fees are calculated on the market value of the property as estimated by the Department of Land and Surveys at the following rates:

Market Value	Rate	Fees	Cumulative Fees
€	%	€	€
0 - 85.000	3	2.550	2.550
85.000 - 170.000	5	4.250	6.800
170.000 and over	8		

The above rates are reduced by 50% except in the case of transfers under Part VI and Part VIA of the Transfers and Mortgages of Immovable Property Law.

In the case of free transfers of property between the following parties, the transfer fees are calculated on the value of the property as at 1 January 2013 at the following rates:

- from parents to children 0%
- between spouses 0,1%
- between third degree relatives 0,1%

Exemptions from transfer fees

The following transfers are exempt from transfer fees:

- under a qualifying reorganisation
- under a qualifying Restructuring (note 10)
- in the context of bankruptcy, liquidation, disposal of mortgaged immovable property by the lender
- transfers that are subject to VAT

Stamp Duty

Documents relating to property situated in the Republic or to any matters or issues executed or performed in the Republic are subject to stamp duty.

Type of document	Amount/ Rate
• Letters of guarantee	€4
• Letter of credit	€2
• Receipts for amounts over €4	€0.07
• Customs documents	€18/ €35
• Bills of lading	€4
• Bills of exchange (payable at sight on first demand or within 3 days from demand or sight)	€1
• Charterhire document	€18
• General power of attorney	€6
• Special power of attorney	€2
• Certified copies of contracts and documents	€2
• Will	€18
• Estate administration document	€9
• Contracts with a specified consideration	
- For amounts up to €5.000	0%
- For amounts between €5.001 - €170.000	0,15%
- For amounts over €170.000	0,2%
	(Maximum duty €20.000)
• Contracts without a specified consideration	€35
• Issue of tax residency certificate by the Tax Department	€80

Exemptions

Documents relating to transactions that take place in relation to a company reorganisation or restructuring (note 10) are exempt from stamp duty.

Companies Registrar

Rights and Fees

- Registration of a limited company by shares or guarantee, with share capital €105 plus 0.6% on nominal capital
- Registration of a company without share capital €175
- Registration of an increase in the company's share capital €40 plus 0.6% on the additional amount of increase
- Registration of issue of shares where the value of the shares issued is payable in cash or in kind €20
- Change of name of company €40
- Reduction of capital €80
- Application for registration of a general or a limited partnership €120
- Application for registration of a business name €80
- Filing with the Registrar of the following document:
 - Annual Report €20
 - Annual Report which is overdue €40
- Notification of a registered mortgage on immovable property in the Republic of Cyprus irrespective of the sum of money €20
- Registration of a charge apart from a mortgage on immovable property within the Republic of Cyprus:
 - On the form of notification of the charge €40
 - On the charge document securing maximum amount:
 - For a sum of money up to €17,086 €100
 - For a sum of money exceeding €17,086 but not over €34,172 €200

- For a sum of money exceeding €34.172 but not over €85.430	€340
- For a sum of money exceeding €85.430 but not over €170.860	€500
- For a sum of money over €170.860 where no amount is mentioned	€600

Company Annual levy

All companies registered in the Cyprus company register must pay an annual levy of €350. In the case of group companies the total amount payable is capped at €20.000.

- The annual levy is payable from the year of incorporation.
- The annual levy is payable to the Registrar of Companies by 30 June of each year.
- Late payment of the levy will give rise to the following penalties:
 - in case of up to a 2 month delay - a 10% penalty;
 - in case of a delay between 2 and 5 months - a 30% penalty.
- Non-payment of the levy may result in deregistration (strike-off) of a company by the Cyprus Registrar of Companies (which will not allow the company to submit documents or request certificates from the Registrar of Companies).
- If a company is re-instated within a two year period from its strike-off a fixed penalty of €500 (in addition to the outstanding amount of the levy) is imposed. The fixed fee will be increased to €750 where a company is re-instated after the two year period.

Notes

1. For employment commencing during or after 2012, the exemption applies for a period of 5 years starting from the tax year following the year of employment, with the last eligible tax year being 2020.
2. The exemption applies for a period of 10 years. For employment commencing during or after 2015, the exemption does not apply in case the employee was a Cyprus tax resident in the preceding tax year or for at least 3 out of the last 5 tax years immediately prior to the tax year of commencement of employment.
3. Persons trading in FX have an option to make an irrevocable election to be subject to tax only on realised FX differences.
4. The term "Securities" is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. Two Circulars have been issued by the Tax Authorities clarifying that the term also includes among others, options on Securities, short positions on Securities, futures/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes. The redemption of participation or share in an open or closed-ended collective investment scheme constitutes a disposal of Securities.
5. The income tax exemption shall not apply to the extent that dividends are deductible from the taxable income of the dividend paying company. Dividends that do not qualify for the income tax exemption are not considered as dividends for special defence contribution purposes.
6. Equity introduced to a company as from 1 January 2015 (new equity) in the form of paid-up share capital or share premium is eligible for an annual notional interest deduction (NID). The NID is calculated as a percentage (reference rate) on the new equity. The relevant reference rate is the yield of the 10 year government bond (as at December 31 of the prior tax year) of the country where the funds are employed in the business of the company, plus a 3% premium (subject to a minimum rate which is the yield of the 10 year Cyprus government bond as at the same date, plus a 3% premium).

7. An individual is domiciled in Cyprus for the purposes of special contribution for defence if he/she has a domicile of origin in Cyprus as per the Wills and Succession Law (with certain exceptions) or if he/she has been a tax resident in Cyprus for at least 17 out of the 20 tax years immediately prior to the tax year of assessment.
8. In case where the actual dividend is received by a company which is owned indirectly by Cyprus tax resident and domiciled individual(s) and the Commissioner considers that the interposition of this company as a shareholder of the company paying the dividend does not serve any substantial commercial or economic purpose but is primarily intended to prevent, reduce or postpone the payment of special contribution for defence, the Commissioner may deem that the dividend is paid directly to the individual(s) who directly/indirectly control the company receiving the dividend and require the payment of the special contribution for defence on the dividend either from the company receiving the dividend or from the individual(s) who directly/indirectly control the company.
9. Exemption conditions:
 - the principal house is exclusively used by the owner for his own residence and
 - the sales consideration does not exceed the amount of €350.000 and
 - the disposal is made in the context of:
 - a compromise or arrangement plan approved by the Court or the official Receiver or an Administrator who is acting in accordance with a Court Order issued according to the Bankruptcy Law;
 - a personal repayment plan which is issued in accordance with the Insolvency of Physical Persons Law;
 - a Court Order for the liquidation of a company;
 - part VIA of the Transfer and Mortgage of Immovable Property Law.

The exemption applies up to 31 December 2017.

10. "Restructuring" means the direct or indirect sale and transfer of immovable property and transfer of rights under a sale contract deposited with the Department of Lands and Surveys, between one or more borrowers and/or debtors and/or guarantors regarding the same credit facility or grant or debt and one or more creditors made up to 31 December 2019, which aims to reduce or repay credit facilities or loans or debts granted to borrowers with one or more lenders.

11. The allowance for the annual life insurance premium is restricted to 7% of the insured amount.

Life insurance policies, in respect to the life of the claimant's spouse, which were in existence up to the 31 December 2002 and for which the claimant was receiving a tax allowance, will continue to be deductible by the claimant.

In the event of cancellation of a life insurance contract within 6 years from the date it was entered into, a portion of the life insurance premiums already given as an allowance will be taxable as follows:

- | | |
|-------------------------------------|-----|
| - cancellation within 3 years | 30% |
| - cancellation between 4 to 6 years | 20% |

12. The capital cost of any intangible asset, excluding goodwill and assets qualifying under the old IP regime (page 16), is tax deductible as a capital allowance over the useful economic life of the asset, as determined by acceptable accounting principles (with a maximum useful life of 20 years).

13. The accounting profits arising from a reorganisation are included in the profits subject to the deemed dividend distribution provisions in the year of assessment in which one of the following events occurs:

- Partial or total alienation by the receiving company of the transferred asset from which the accounting profits arose.
- Direct or indirect, partial or total alienation, which takes place in the course of a reorganisation, of the shares of the receiving company by the transferring company or another company which was acquired during the reorganisation.
- Reduction of capital of the receiving company or any company interposed between the transferring company and the receiving company which was issued during the reorganisation.

The above provisions apply with the same chronological order of the alienation in the accounting profits, which were exempted and which relate in proportion to the alienation and are included in the company's profits by which the alienation occurs.

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