

## AMENDMENTS TO CYPRUS TAX LAWS



The House of Representatives of Cyprus on 26 August 2011 voted the first package of amending tax laws for the improvement of public finances. The aim of the package's measures is directed towards the reduction of State expenditure and increase of the State revenues without putting at risk the competitiveness of Cyprus as a financial centre.

### THE INCOME TAX LAW

#### ▪ NEW TOP RATE FOR PERSONAL INCOME TAX

A new tax band has been introduced at the rate of 35% for income above €60.000, effective from tax year 2011.

#### ▪ TAX INCENTIVE TO ATTRACT HIGHLY-PAID EMPLOYEES

50% exemption will apply to income of a non resident person taking up residence in Cyprus to work for an employer in Cyprus and whose annual remuneration is in excess of €100.000 per annum. The exemption applies for a period of 5 years from the year of commencement of the employment starting 1 January 2012.

### THE COMPANIES LAW

#### ▪ FIXED ANNUAL LEVY FOR COMPANIES OF €350

All companies are required to pay the fixed annual levy of €350 except for dormant companies and companies that do not own any assets or own property situated in the Turkish occupied area of Cyprus.

For group of companies the total duty is capped at €20.000.

Non-payment of the levy may result in a deregistration (strike-off) of a company by the Cyprus Registrar of Companies.

If a company is re-instated within a 2-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 up to €750 where a company is re-instated after the 2-year period.

The levy is payable by 31 December 2011 in relation to this year and by 30 June in respect of each subsequent year. Late payment of the levy will give rise to the following penalties:

- 1.in case of up to a 2-month delay – a 10% penalty
- 2.in case of a delay between 2 and 5 months – a 30% penalty

## THE SPECIAL CONTRIBUTION FOR THE DEFENCE OF THE REPUBLIC LAW

### ▪ INCREASE RATES OF SPECIAL DEFENCE CONTRIBUTION ON DIVIDENDS AND INTEREST

1.The rate of Special Defence Contribution is increased from 10% to 15% for interest income taxable under this Law, with immediate effect from the date the law is published in the Cyprus Government Gazette.

2.The rate of Special Defence Contribution is increased from 15% to 17% for dividend income received by Cypriot resident persons, with immediate effect from the date the law is published in the Cyprus Government Gazette.

This measure also affects Group of companies ultimately held by Cyprus tax resident individuals.

## THE IMMOVABLE PROPERTY TAX LAW

### ▪ NEW BANDS AND RATES FOR IMMOVABLE PROPERTY TAX

1.Revised bands and rates applicable from 1 January 2012 are as per the below table.

Value of property as at 1 January 1980,	Rate, %
Up to 120.000	0
120.000 - 170.000	0.4
170.000 - 300.000	0.5
300.000 - 500.000	0.6
500.000 - 800.000	0.7
Over 800.000	0.8

## THE VALUE ADDED TAX LAW

### ▪ DECREASE VAT RATE FOR FIRST RESIDENCE.

1. On the acquisition and/or construction of a person's first residence, a lower VAT rate of 5% will be applicable for the first 200 square meters of residences of up to 300 square meters.
2. The special subsidy currently payable on such first residence is abolished.
3. The above amendments will apply from 1 November 2011

## THE SPECIAL CONTRIBUTION BY GOVERNMENT AND SEMI-GOVERNMENT EMPLOYEES AND PENSIONERS

A special contribution is payable by all Government and semi-Government employees and pensioners depending on the level of their salary (pension) according to the scale described below.

Monthly gross salary/pension of employees (excluding hourly paid workers), €	Monthly gross emoluments of employees (being hourly paid workers), €	Rate, %
0 - 1.500	0 - 1.500	0
1.501 - 2.500	1.501 and over	1.5
2.501 - 3.500	N/A	2.5
3.501 - 4500		3.0
4.501 and Over		3.5

The special contribution applies from 1 September 2011 for a period of 24 months.

## CONTRIBUTIONS BY GOVERNMENT AND SEMI-GOVERNMENT EMPLOYEES TO THE GOVERNMENT PENSION SCHEME

1. A 3% contribution has been introduced on salaries, payable to the Government Pension Fund.
2. Furthermore, a contribution of 2% will be made to the Widows' Fund.
3. The above amendments apply from the first day of the second month following the publication of the Law in the Gazette.

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

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