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## Cyprus **Tax Facts** **2018**

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# Foreword

This publication provides a brief overview of the Cyprus Tax Legislation effective as at the date of publication (May 2018). It contains useful information about each particular tax law and it can be used by natural persons and/or legal entities in handling their tax affairs.

It should be clarified however that the tax information provided by this publication is of general nature and therefore it cannot substitute proper professional advice which is always given after serious consideration of the merits of each case.

We at InterTaxAudit, are strongly committed to offering our clients the highest quality of service in all aspects of taxation, as well as audit and advisory services. We are ready to work with our clients using our expertise and knowledge of the Cyprus tax environment to achieve and promote their targets in the most professional and prudent manner.

# Corporation Tax

## Cyprus tax resident companies

Companies which are tax residents of Cyprus are taxed on all income accrued or derived from all sources in Cyprus and abroad. A company must register with the Tax Department within 60 days of incorporation.

## Non-Cyprus tax resident companies

A non-Cyprus tax resident company is taxed on income arising from immovable property in Cyprus and on income accrued or derived from a business activity, which is carried on through a permanent establishment in Cyprus. Permanent establishment is a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term permanent establishment includes a place of management, a branch, an office, a factory and a workshop.

As per the Income Tax Legislation (Section 5(4)), legal or natural persons non-Cyprus tax resident but with a permanent establishment in Cyprus, may elect to be treated as Cyprus tax resident persons.

A Company is a tax resident of Cyprus if it is managed and controlled in Cyprus.

## Corporation tax rates

All companies are taxed at a rate of 12.5%

### Exemptions

Type of income	Exemption limit (%)
Profit from the sale of securities (Note 1)	100
Dividends (excluding dividends which are tax deductible for the paying company – (applicable as from 1 January 2016)	100
Interest not arising from the ordinary activities or closely related to the ordinary activities of the Company (Note 2)	100
Profits of a permanent establishment abroad (if more than 50% of the income of the permanent establishment derives from trading activities or the foreign tax burden rate is not lower than 6.25%) (Note 3)	100
Gains in relation to foreign exchange differences with the exception of gains arising from trading in foreign currencies or related rights and derivatives.	100

## Notes

- (1) The following list of investments / financial instruments fall within the term “securities” for the purpose of this exemption:
- ordinary shares;
  - founders’ shares;
  - preference shares;
  - options on titles;
  - debentures;
  - bonds;
  - short positions on titles;
  - futures/ forwards on titles;
  - swaps on titles;
  - depositary receipts on titles (such as American Depositary Receipts – ADRs and Global Depositary Receipts – GDRs);
  - rights of claim on bonds and debentures (excluding rights on the interest income attached on such rights);
  - index participations (only if they represent titles);
  - repurchase agreements or REPOS on titles;
  - participations in companies like Russian entities designated as OOO, ZAO, in American companies designated as LLC (provided that these entities are not transparent entities for the purpose of taxation of their income) in Romanian companies designated as SA and SRL and in Bulgarian companies designated as AD and OOD;
  - units in open-end collective investment schemes (which have been established, registered and operating as per the provisions of a particular and relevant legislation of the country in which they have been created). Examples:
    - Investment trusts investment funds, mutual funds, unit trusts and real estate investment trusts (REIT);
    - International collective investment schemes (ICIS);
    - Undertakings for collective investments in transferable securities (UCITS);
    - Similar investing organizations.

***It should be noted that promissory notes and bills of exchange do not fall under the definition of “securities”.***

- (2) An application may be submitted to the Tax Department requesting a tax ruling in advance of a certain transaction/ financing arrangement as to whether it is to be treated as falling within the ordinary activities/ or closely connected therewith, of the business.
- (3) As from 1 July 2016, taxpayers have the right to elect to tax the profits of a foreign PE. At the same time the taxpayers can benefit from the tax credit for any foreign taxes incurred on the foreign PE profits as well as on any foreign income, irrespective of the existence of a Double Tax Treaty.

## Tax deductions

Expenses incurred wholly and exclusively for the purpose of generating business income and supported by receipts, invoices or other relevant documents are tax allowable, including the following:

Type of expense	Exemption limit (%)
Interest expense incurred for the acquisition of 100% of the share capital of a subsidiary company (applicable from 1 January 2012) if the subsidiary has no assets which are not used in its business	100  (if the subsidiary owns assets not used in the business the amount of interest is restricted on a prorata basis)
Notional interest expense is allowed annually on new capital introduced to a company after 1 January 2015 (Note 1)	80  (Of the taxable income before the deduction of the deemed expense)
Employer's contribution to social insurance and approved funds on employees' salaries	100
80% of the net royalty income, including the net income emanating from the disposal of the intangible assets owned by a Cyprus tax resident company would be deemed as a deductible expense (Note 2)	80
Donations to charities approved by the Council of Ministers	100
Entertaining expenses for business purposes	Lower of 1% of the total gross income or €17,086 or the actual expense
Expenditure for the maintenance of buildings under preservation order (subject to certain conditions)	Up to €700, €1,100 or €1,200 per sq. m. (depending on the size of the building)
Expenditure for the acquisition of shares in an innovative business (abolished as from 1 January 2017)	100

## Notes

1. Notional interest expense is allowed on the taxable income of a company resident in Cyprus and is calculated, by multiplying a “reference interest rate” on the “new capital” that is issued by the Company. The term “new capital” means the capital that has been contributed to the company after 1 January 2015 and includes the issue of share capital and share premium.

The term “reference interest rate” is the ten year government bond rate of return of the country the new capital is invested in, increased by 3% and cannot be lower than the ten year Cyprus Government bond increased by 3%. Certain anti-avoidance provisions apply.

2. The transitional provisions on the old Cyprus IP Box regime applies to a wide range of IP rights falling within the meaning of the Patent Law, the Intellectual Property Rights Law and the Trademarks Law and apply to 30/6/2021. Under the new IP Box regime only qualifying assets such as patents and software are entitled to this relief assuming they were developed and not acquired by the Cyprus Company.

### ***Tax incentives offered by the old IP box***

- i. 80% of any income generated from IP owned by Cypriot resident companies (net of any direct expenses) is exempt from income tax.
- ii. 80% of profit generated from the disposal of IP by Cypriot resident companies (net of any direct expenses) is exempt from income tax.
- iii. Any expenditure of a capital nature for the acquisition and/or development of IP can be claimed as a deduction in the tax year in which it is incurred and the immediate four years that follow on a straight-line basis.

Any capital gains from the disposal of an IP asset which qualifying under the existing regime but no benefits were claimed such as the 80% exemption will be exempt from income tax. In case a loss arises when calculating the qualifying profits, the amount that can be surrendered and carried forward is restricted to 20%.

### ***Transitional provisions***

Businesses with IP assets that already benefit from the provisions of the existing IP Box Regime, will fall under the transitional provisions and will continue to take advantage of Cyprus’s existing IP Box Scheme until 30 June 2021, if these:

- Were acquired before the 2nd of January 2016, or

- Were acquired directly or indirectly from related persons between 2nd January 2016 and 30th June 2016, and the acquisition satisfied the provisions of the existing IP Box Regime or under the provisions of a similar intangible assets regime of another country assuming the main purpose of the acquisition was not to evade taxation
- Were acquired from a non-related person or developed between 2nd January 2016 and 30th June 2016.

Intangible assets which do not fall under the above and were acquired directly or indirectly from a related person between 2nd January 2016 and 30th June 2016, will continue to claim the provisions of the existing IP Box Regime up to 31st December 2016.

For the purposes of the transitional provisions, intangible assets are considered to be the assets which produced income or their development was completed up until 30th of June 2016.

### ***The new IP box regime***

As from 1st July 2016, 80% of the Qualifying Profits derived from a Qualifying Intangible Asset will be considered as a deductible expense. Qualifying intangible assets include Patents as defined in the Patents Law, Computer software and other intangible assets protected by law falling under any of the below:

- Utility models, intellectual property assets which provide protection to plants and generic material, orphan drug designations and patent extensions;
- That are nonobvious, useful and novel, where the person who utilises them in the course of his business does not earn gross income in excess of €7.500.000 per year out of all the intangible assets. In the case of a group of such persons, the group should not have a turnover of more than €50.000.000. For the above calculation an average of five years should be used.

Qualifying profits means the amount resulting from the application of the following formula:

$$\text{Overall Income} \times \left[ \frac{\text{Qualifying Expenditure} + \text{Uplift Expenditure}}{\text{Overall Expenditure}} \right]$$

In case a loss arises when calculating the qualifying profits, the amount that can be surrendered and carried forward is restricted to 20%. In case of an intangible asset falling under both the provisions of the existing and the new IP Box Regime, the existing regime will apply until this is fully phased out.

The taxpayer has the right for every tax year not to claim all or part of the deduction offered by the new IP Regime.

## Tax losses

The tax loss incurred during a year which cannot be set off against other income is carried forward subject to conditions and set off against the profits of the next five years.

Set-off of group losses are allowable only with profits of the corresponding fiscal year between the Cyprus tax resident Companies of a group. A company incorporated by its holding company during the year is considered as member of the group for the whole year of assessment.

### ***Two companies are deemed to be members of the group if:***

- One is by 75% subsidiary (directly or indirectly) of the other; and
- Both companies are by 75% subsidiaries of a third company (direct and indirect control).

As from 1 January 2015 two companies can be considered members of the same group if the interposition companies are residents of another EU member state or of a state with which Cyprus has concluded a bilateral or multilateral convention for the avoidance of double taxation or the exchange of information.

A partnership or a sole trader converted into a limited liability company can transfer tax losses into the company for future utilization.

Losses from permanent establishment abroad can be set off with profits of the company in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses allowed.

## Annual wear and tear allowances on fixed assets

The following allowances are calculated as a percentage on the cost of acquisition. They are deductible from the chargeable income. However for assets acquired in the period 2012-2018 the capital allowances on plant and machinery are increased to 20%, and for hotel, industrial, agricultural and farm animal buildings to 7%.

Fixed assets	%
<b>A. Plant and machinery</b>	
Plant and Machinery	10
Furniture and fittings	10
Industrial carpets	10
Boreholes	10
Machinery and Tools used in Agriculture	15
Plant and Machinery (acquired during tax years 2012-2016) except assets which are already eligible for a higher annual tax rate of tax depreciation	20
<b>B. Buildings</b>	
Commercial Buildings / Flats	3
Industrial, agricultural and hotel buildings	4
Industrial and hotel buildings (acquired during tax years 2012-2016)	7
Metallic greenhouse structures	10
Wooden greenhouse structures	33 1/3
<b>C. Computer Hardware and software</b>	
Computer hardware and operating systems	20
Application software	
Up to €1,708.60	100
Over €1,708.60	33 1/3
<b>D. Vehicles and Means of Transportation</b>	
Motor vehicles (except for private saloon cars) and motorcycles	20
Tractors, excavators, cranes, bulldozers, forklifts and oil barrels	25
New airplanes	8
New Helicopters	8
<b>E. Boats</b>	
Sailing vessels	4.5
Steamers, tugs and fishing boats	6
Shipmotor launches	12.5

New cargo vessels	8
New passenger vessels	6
<b>F. Other</b>	
Photovoltaic Systems	10
Wind Power Generators	10
Tools in general	33 1/3
Videotapes used by video clubs	50
Televisions and Videos	10

## 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.

## Insurance companies

Profits of insurance companies are liable to corporation tax similar to all other Companies, except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5% on gross premium. In this case the difference is paid as additional corporation tax.

## Financing companies: back-to-back loans

Loans provided to or obtained by Cyprus Company require interest determined on an arm's length basis and from 1/7/2017 must be supported by a Transfer Pricing Study or have a post tax margin of 2%. For periods before that the minimum profit margins acceptable for a Cyprus tax resident company which is raising and granting loans from and to associated companies (subject to conditions) were

- (a) For the period of 2003-2007 the minimum profit margin acceptable is 0.30% irrespective of the loan amounts.
- (b) From 2008 to 30/6/2017, the accepted minimum margin rates were as follows:

Loan amount	Profit margin
Less than Eur 50mIn	0.35%
Eur 50mIn - Eur 200MIn	0.25%
Over Eur 200mIn	0.125%

# Special Contribution for Defence

Special contribution for defence (SDC) is imposed on dividend income, Interest income not arising from the ordinary activities and rental income earned by Companies tax residents in Cyprus and by individuals who are both Cyprus tax residents and Cyprus domiciled.

Such tax is charged at the rates shown in the table below and levied on the gross income received or credited.

	Individuals % <sup>(1)</sup>	Legal entities %
Dividend income from Cyprus tax resident Companies	17 <sup>(6)</sup>	Nil <sup>(2)</sup>
Dividend income from non-Cyprus resident Companies	17 <sup>(6)</sup>	Nil <sup>(3)</sup>
Interest income arising from the ordinary activities or closely related to the ordinary activities of the business and interest earned by an open or close collective investment scheme	Nil	Nil
Other interest income	30 <sup>(4)(6)</sup>	30 <sup>(4)(6)</sup>
Rental income minus 25%	3 <sup>(5)(6)</sup>	3 <sup>(5)(6)</sup>

## Notes

- (1) An individual who is a Cyprus Tax Resident is subject to both Income Tax and Special Defence Contribution. As from 16 July 2015, an individual who is a tax resident of Cyprus under the provisions of the Income Tax Law but is 'non-domiciled' in the Republic of Cyprus, will be exempt from SDC. An individual is domiciled in the Republic if he has a domicile of origin in the Republic of Cyprus according to the provisions of the Wills and Succession Law (subject to conditions) or if he has been a Cyprus tax resident for a period of at least 17 out of the last 20 years before the relevant tax year.
- (2) Dividends received by a Cyprus tax resident company from other Cyprus tax resident companies are excluded from defence tax, subject to anti-abuse provisions and unless dividends are indirectly declared after the lapse of four years from the end of the year in which the profits were generated. In such case 17% (20% in 2013) defence tax will be imposed if the ultimate

beneficial owner is a Cypriot tax resident and domiciled. Any dividends derived directly or indirectly from such dividends on which Special Defence Contribution has already been paid are exempt from Special Defence Contribution.

- (3) Dividend income from abroad is taxable under defence contribution at 17% provided that:
  - More than 50% of the income of the company paying the dividends derives directly
  - or indirectly from investment activities, and
  - The tax paid by the foreign subsidiary is significantly lower than that of Cyprus (Effective tax lower than 6.25%).
- (4) Interest income earned by an individual deriving from Cyprus Government Bonds, Development bonds or interest earned by an approved provident fund is subject to a 3%. For individuals, whose annual income (including interest), does not exceed the amount of €12,000 the rate is reduced to 3%.
- (5) For rental income where the tenants are Cypriot companies, partnerships, the Government and Local Authorities, the tenants have an obligation to withhold Special contribution for defence from the rental payments and to pay the tax by the end of the month following the month in which it was withheld. In all other cases the Special contribution for defence on rental income is payable by the landlord in 6 month intervals on 30 June and 31 December each year.
- (6) The Special contribution for defence on interest and dividend paid to Cyprus tax residents is withheld at source and is payable at the end of the month following the month in which the income was paid. For interest, dividend and rental income received from abroad the Special contribution for defence is payable in 6 month intervals on 30 June and 31 December each year.

### **Deemed dividend distribution**

If a Cyprus resident Company does not distribute dividend within two years from the end of the tax year then:

- 70% of accounting profits (as adjusted for Special contribution for defence purposes) are deemed to have been distributed as a dividend.
- 17% special contribution for defence is imposed on deemed dividend distribution applicable to shareholders (both individuals and companies) who are both tax residents of Cyprus and domiciled in Cyprus. Before the amendment of the Law on 16 July 2015 this provision was applicable for Cyprus Tax residents only.
- Deemed distribution is reduced with payments of actual dividends which have already been paid during the two years from the profits of the relevant year.

When an actual dividend is paid after the deemed dividend distribution, then defence tax is imposed only on the additional dividend paid.

The profits of a Cyprus Tax resident Company which are attributable either directly or indirectly to shareholders who are not Cyprus tax residents or residents but not domiciled in Cyprus are not subject to deemed dividend distribution.

Furthermore, in case where such non-Cyprus tax resident shareholders constitute 100% of the ultimate shareholders of the company, the company is not required to submit a deemed dividend distribution return.

Instead, the company's directors and auditors are required to submit declarations confirming that 100% of the shareholders of the company are directly and/or indirectly non-Cyprus tax residents.

### **Dissolution of companies**

The total profits of the last five years prior to the dissolution not yet distributed as dividends are deemed to be distributed in the dissolution and will be subject to Special Defence Contribution at the rate 17% applicable to shareholders. The declaration of deemed distribution and the payment of the relevant Special Contribution to Defence Fund must be made within 30 days from the date of the resolution for liquidation.

These provisions do not apply in the case of dissolution under reorganization, as defined in the Income Tax law and where the shareholders are non residents in the Republic or residents but not domiciled in the Republic.

### **Reduction of capital**

In the case of a reduction of capital of a company, any amounts due or paid to the shareholders in excess of the paid up share capital will be considered as dividends distributed subject to special defence contribution at the rate of 17% after deducting any amounts which have been deemed as distributable profits.

These provisions were applied where the shareholders are tax residents in the Republic. As from 16 July 2015 these provisions apply only where the shareholders are both tax residents and domiciled in the Republic.

### **Tax credit for foreign tax paid**

Any tax suffered abroad on income, which is subject to special defence contribution, will be credited against any defence contribution payable on such income irrespective of the existence of a Double Tax Treaty.

# Capital Gains Tax

Capital gains tax is imposed on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies, which own immovable property situated in the Republic and such shares are not listed in stock markets.

As of 17 December 2015 gains from the sale of shares in companies which indirectly own immovable property in Cyprus will also be subject to capital gains tax. This will apply only in case the value of the immovable property represents more than 50% of the value of the assets of the company whose shares are sold.

## Tax rate and determination of profit

The tax is imposed on the net profit from disposal at the rate of 20%. The tax is payable within one month from the date of the disposal.

The net profit is calculated as the disposal proceeds, less the greater of the cost or market value on 1 January 1980 adjusted for inflation. Inflation is calculated using the official Retail Price Index.

## Exemptions

The following disposals of immovable property are not subject to Capital Gains Tax:

- Any gains from the subsequent disposal of immovable property acquired between 16 July 2015 and 31 December 2016 will be exempt from capital gains tax, if acquired by a purchase agreement at a market value from a non-related party and not through a donation/gift or an exchange.
- Transfer arising on death;
- Gift made from parent to child or between husband and wife or between up to third degree relatives;
- Gift to a limited company where the company's shareholders are members of the donor's family and the shareholders continue to be members of the family for five years after the date of transfer;
- Gift by a family company to its shareholders, provided such property was originally acquired by the company by way of donation. The property must be kept by the recipient for at least 3 years;
- Gift to charities and Government;
- Transfer of shares or immovable property as a result of reorganization as defined in the Income Tax law;

- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws;
- Gain on disposal of shares, which are listed on any Stock Exchange;
- Transfer of property between ex-husband and ex-wife whose marriage has been dissolved following court order and the transfer of property between such people in the process of regulating matrimonial matters as per the relevant legislation.

### **Lifetime exemptions for individuals**

Individuals can deduct from the capital gain the following:

Disposal of principal residence	€ 85,430
Disposal of agricultural land by a farmer	€ 25,629
Disposal of any other property	€ 17,086

The above exemptions are given only once and not for every disposal. An individual claiming a combination of the above is only allowed a maximum exemption of €85,430.

# Personal Income Tax

## Taxation

Cyprus tax residents are taxed on all income accrued or derived from all sources in Cyprus and abroad. Non-tax resident individuals are taxed only on income accrued or derived from sources in Cyprus.

## Cyprus tax residents

An individual is considered to be tax resident in Cyprus if he stays in Cyprus more than 183 days in the year of assessment or if he stays in Cyprus only for 60 days but at the same time:

- (a) He holds an office or is an employee or has a business in Cyprus and
- (b) He has a home in Cyprus which is either owned or rented and
- (c) He is not tax resident in any other country and he has not spent more than 183 days in any other country.

## Tax residents are taxable on the following income:

- Income from business in Cyprus and outside Cyprus;
- Income from any office or employment;
- Dividends and interest;
- Rents and royalties in Cyprus and abroad;
- Pensions and annuities in Cyprus and abroad;
- Loans or financial assistance from a company to a director, shareholder or relative up to second degree are taxable as a monthly benefit in kind equal to 9% per annum on the loan amount, payable on a monthly basis by the company under the PAYE system.

## Non-tax residents

Non-tax residents are taxable on the following income:

- Income from a permanent establishment situated in Cyprus;
- Income from any office or employment exercised in Cyprus;
- Pensions derived from past employment exercised in Cyprus;
- Rent from property situated in Cyprus;
- Any amount or consideration in respect of any trade goodwill reduced by any amount incurred for the purchase of such trade goodwill;
- The gross income derived by an individual from the exercise in Cyprus of any profession or vocation, the remuneration of

public entertainers and the gross receipts of any theatrical, musical or other group of public entertainers;

- Directors' fees and similar remunerations in their capacity as directors of companies considered to be tax resident companies of Cyprus.
- Loans or financial assistance from a company to a director, shareholder or relative up to second degree are taxable as a monthly benefit in kind equal to 9% per annum on the outstanding amount of the loans, payable on a monthly basis by the company under the PAYE system. This is applicable as from 1/1/2018.

## Personal tax rates

The following income tax rates apply to individuals:

Chargeable income €	Tax rate %	Tax amount €	Accumulated tax €
0-19,500	Nil	Nil	Nil
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
Over 60,000	35	-	-

## Exemptions from income tax

The following are exempt from income tax:

Type of income	Exemption limit (%)
Profits from the sale of securities* (Note 1)	100
Income from dividends (Note 2)	100
Interest, except interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual	100
Profits from a permanent establishment maintained outside the Republic (subject to certain conditions) (Note3)	100
Remuneration for salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer	100

<p>Remuneration from employment that exceeds €100,000 per annum by an individual who was not tax resident of Cyprus before the commencement of his employment in Cyprus. This exemption applies to persons who are tax or non-tax residents of Cyprus for the first 10 years for employments commencing as from 1<sup>st</sup> January 2012.</p> <p>For employments which commence after 1<sup>st</sup> January 2015, the individual will be entitled to this benefit only if he was not tax resident of Cyprus for any 3 out of the last 5 tax years prior to the commencement of his employment in Cyprus and at the same time he was not tax resident of Cyprus the previous year.</p>	<p>50% of the remuneration</p>
<p>Remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of his employment for a period of 5 years from 1<sup>st</sup> January following the year of commencement of the employment.</p> <p>The exemption can only be claimed until the year 2020.</p>	<p>20% of the remuneration with a maximum of €8,550 annually</p>
<p>Lump sum payment on retirement, commutation of pension or compensation for death or injuries</p>	<p>100</p>
<p>Capital sums from life insurance schemes or from approved provident funds</p>	<p>100</p>

## Notes

- (1) Securities are those listed as per Note 1 of Chapter 1: Corporation Tax.
- (2) Income from dividends is exempt, unless the dividends payable by the foreign Company were claimed as deductible in arriving at the chargeable income of that foreign company.
- (3) As from 1 July 2016, taxpayers have the right to elect to tax the profits of a foreign PE. At the same time the taxpayers can

benefit from the tax credit for any foreign taxes incurred on the foreign PE profits, irrespective of the existence of a Double Tax Treaty or not.

## Tax deductions from income

The following are deducted from income:

Type of expenses	Deduction limit (%)
Subscriptions to trade unions or professional bodies	100
Rental income	20% of the rental income
Donations to approved charities (with receipts)	100
Expenditure incurred for the maintenance of a building in respect of which there is in force a preservation order	Up to €1,200, €1,100 or €700 per square meter (depending on the size of the building)
Social insurance, provident fund, medical fund (maximum 1.5 % of remuneration), pension fund contributions and life insurance premiums (maximum 7% of the insured amount) (Note1)	Up to 1/6 (of the chargeable income)
Special Contribution for private employees	100
As from 1 January 2017, the cost of investment in approved innovative small and medium sized business (Note 2)	Up to 50% of the taxable income (Note 2)

## Notes

- (1) In the case of cancellation of a life insurance policy within 6 years from the day of its issue, a percentage of the premiums, which was previously allowed, is taxable.
- Cancellation within 3 years 30%
  - Cancellation between 4 to 6 years 20%
- (2) Subject to cap of 50% of the taxable income of the individual (with maximum deduction of €150.000 per year). Any unutilized deduction can be carried forward and claimed in the next 5 years.

# Social Insurance

Self-employed individual	14.6%
Employee	7.8%
Employer	7.8%
Employer's contribution to the Redundancy Fund	1.2%
Employer's contribution to the Industrial Training Fund	0.5%
Employer's contribution to the Social Cohesion Fund*	2.0%
Employer's contribution to the Holiday Fund (if it is not exempt)	8.0%
*The amount of contribution to Social Cohesion Fund is calculated on the total emoluments with no upper limit.	

## Maximum limit of emoluments

The maximum level of annual income on which social insurance contributions are paid on is as follows:

	Per week €	Per month €	Per year €
Weekly employees	1,046	-	54,392
Monthly employees	-	4,533	54,396

## Minimum limit of emoluments for self-employed

The lower limits of income on which self-employed persons pay social insurance contributions are:

Persons exercising a profession such as:	€
Medical Doctors, Pharmacists, Health professionals, Accountants, Economists, Lawyers and other Liberal persons:	
- for a period under 10 years	19,949
- for a period over 10 years	40,351
Wholesales, estate agents and other businessmen	40,351
Builders and other related businesses	24,483
Guards, messengers, cleaners and shop owners	18,589
Drivers of transportation media, operators of Excavators and similar occupations	19,496
Farmers, stockbreeders, fishermen, traveling salesmen and similar occupations	13,602
Agents, musicians, designers and persons not included under any other occupational category	19,949

# Value Added Tax

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

Taxable persons charge VAT on their taxable supplies (output tax) and have the right to claim VAT suffered on goods and services, which they receive (input tax) for the purpose of their business.

If output tax in a VAT period exceeds total input tax, a payment has to be made to the state. If input tax exceeds output tax, the excess amount is carried forward and can be claimed against any future output VAT.

Refund of any excess VAT can be claimed from the state in the following cases:

- A period of eight months has elapsed since the date the VAT became refundable.
- Input VAT which cannot be set off against output VAT until the last VAT period of the year which follows the year in which the VAT period in which the credit was created falls;
- The input VAT relates to zero rated supplies;
- The input VAT relates to the acquisition of capital assets;
- The input VAT relates to transactions which are outside the scope of VAT but would have been subject to VAT had they been carried out within Cyprus;
- The input VAT relates to exempt financial and insurance services provided to non EU resident clients (services for which the right to recover the related input VAT is granted).

For intra-community acquisition of goods (with the exception of goods subject to excise duty) the trader does not pay VAT on receipt of the goods in Cyprus, but instead accounts for VAT using the Reverse Charge Principle; that is to account for both input and output VAT, provided it relates to supplies for which the right to recover input VAT is granted.

In cases where the right to recover the input VAT is not granted, the trader must pay the output VAT accordingly.

## ***The following VAT rates apply to the taxable supplies:***

- Zero rated (0%);
- Reduced rate (5%)
- Reduced rate (9% as from 13 January 2014)
- Standard rate (19% as from 13 January 2014)

## Exemptions

Certain goods or services are exempted from VAT including:

- Letting of immovable property to 12/11/2017 and thereafter by specific application to the Commissioner of Taxation;
- Leasing of buildings used for private residential purposes
- Most medical, hospital and dental services;
- Most banking, insurance and financial services;
- Educational services under certain conditions;
- Supply of land and second hand buildings; land is taxable as from 2/1/2018 except for agricultural land, animal farmland, in a preservation or archaeological zone.
- Supply of immovable property for which a valid application for planning permission was submitted before 1st of May 2004.
- Management services provided to mutual funds;

## Difference between zero rated and exempt supplies

Zero rate is a taxable rate and an obligation for registration is compulsory once the criteria are met and are entitled to recover VAT charged on purchases, expenses and imports, whilst businesses engaged in exempt activities are not eligible to recover VAT paid and/or suffered on those expenses.

## Irrecoverable input VAT

Input VAT cannot be recovered in a number of cases, which include the following:

- When businesses make only exempt supplies;
- Purchase, import or hire of saloon cars; (subject to exceptions)
- Expenditure for entertainment of persons other than staff;
- Housing expenses of directors.

## Registration

A person/company is obliged to register for VAT when:

- At the end of any month, if the value of the taxable supplies (supplies taxed at zero and/or reduced and/or standard rates) exceed €15,600 during the 12 preceding months.
- At any point in time, if there are reasonable grounds for believing that the value of the taxable supplies in the following 30 days then beginning will exceed €15,600
- Provides services to business established in EU member states. No registration threshold exists in this case.
- Purchases goods from businesses established in EU member States (Intra-Community acquisitions) the value of which exceeds €10,251.61

- Offers zero rated supplies for goods or services
- Acquires a company on a going concern basis.
- A taxable person from abroad makes distance sales with registration threshold of €35,000.
- Business with turnover of less than €15,600 or with supplies that are outside the scope of VAT but for which the right to claim input VAT is granted, have the option to voluntarily register.

## **VAT declaration, payment/refund**

VAT returns are electronically submitted quarterly within 40 days from the end of each quarter. The payment due to the authorities must be made prior submitting the return.

Where in a quarter input tax is higher than output, the difference is either refundable or is transferred to the next VAT quarter to be credited against any payable amount.

As from 19 February 2013 claims for VAT refund will be entitled to repayment of the VAT amount with interest, where the repayment is delayed for a period in excess of 4 months from the date of submitting the claim. The period of repayment is extended for another 4 months in the cases where the Commissioner is carrying an investigation regarding the claim.

## **International Business Companies (IBCs)**

IBCs are subject to the same registration rules as companies involved in taxable activities locally. However the activities of most IBCs fall outside the scope of VAT thus there is no obligation for registration. IBC's have the option of voluntary registration; this enables them to be refunded VAT paid on Cypriot expenses.

### **(a) Intra-community trade**

This refers to supply of goods between EU Member States and their VAT treatment. The sale is taxed at zero rate if the following criteria are satisfied:

- The seller has adequate proof that the goods have left the State.
- The goods have been transferred to another Member State.
- The buyer is an EU VAT registered person and the VAT number of the buyer is recorded on the invoice.
- The goods sold are not goods for which the seller is taxed under the provisions of the margin scheme.
- The seller maintains adequate evidence that the goods have been transferred to that Member State.

With regard to intra-community acquisitions the trader does not pay VAT on the receipt of the goods in Cyprus but instead accounts for VAT using acquisition accounting. This involves a simple accounting entry in the books of the business whereby he self-charges VAT and at the same time claims it back if it is related to taxable supplies thereby creating no cost to the business (reverse charge rule), provided that the acquisition relates to supplies for which the right to recover input VAT is granted.

## (b) Triangular trade

This is the case where three Member States are involved and there is only one actual movement of goods but two invoices are issued, one from the first country to the intermediary and another from the intermediary to the recipient of goods.

The intermediary supplier must apply the simplification procedures and the invoice issued to the recipient must include the phrase "VAT, EU Article 28, Simplified Invoice".

## (c) Provision of services

### 1. General Rule / Place of supply of services

The main rule states that services are taxable in the country where the recipient of the service is established.

Supplier	Client	Treatment
Cyprus VAT registered Company	Cyprus VAT registered Company	Cyprus VAT charge
Cyprus VAT registered Company	Non EU Company	No VAT charge
Cyprus VAT registered Company	EU VAT registered Company	VAT in the country of the recipient (EU) (reverse charge rule applies)
Cyprus VAT registered Company	EU Non VAT registered Company	Cypriot VAT charge
EU VAT registered Company and Non EU Company	Cyprus VAT registered Company	Self account for VAT using the reverse charge mechanism. If the Cyprus company is a partially business person, VAT input is restricted only to taxable activities.

Examples of services:

1. Transfers and assignments of copyrights, patents, licenses, trademarks and similar rights.
2. Advertising services.
3. Services of consultants, engineers, consultancy bureau, lawyers, accountants and other similar services; data processing and provision of information (but excluding from this head any services relating to land).
4. Acceptance of any obligation to refrain from pursuing or exercising, in whole or part, any business activity or any such rights as are referred to in paragraph 1 above.
5. Banking, financial and insurance services (including reinsurance, but not including the provision of safe deposit facilities).
6. The provision of access to, and of transport or transmission through, natural gas and electricity distribution systems and the provision of other directly linked services.
7. The supply of staff.
8. The letting on hire of goods other than means of transport.
9. The services rendered by one person to another in procuring for the other any of the services mentioned in 1-8 above.

## Exemptions

1. Services relating to a specific immovable property
2. Admission to cultural, artistic scientific, educational, entertainment and similar services, the organization of trade and other exhibitions
3. Ancillary services relating to the above
4. Passenger transport
5. Restaurant and catering
6. Restaurant and catering on board a ship/aircraft/train
7. Short-term hiring of means of transport (continues use for up to 30 days for motor vehicles and 90 days for vessels).

As from 1 January 2011 services other than admission to cultural, artistic scientific, educational, entertainment and similar services, are where the recipient is established.

As from January 2013 the long term hiring of means of transport to consumers (individuals and business not registered for VAT) is taxable where the customer usually resides.

In regards to the hiring of pleasure boats the place of supply is where the pleasure boat is actually put on the disposal of the customer as long as the service is provided from the place where the supplier has established his business.

Until 31 December 2012 the above mentioned services were taxed at the place of where the provider has, established his business.

## ***II. Additional Reporting requirements***

### **VIIES (VAT Information Exchange System)**

VAT registered businesses involved in intra-community trade, triangular trade and the provision of services within European Union territory, summary details of those supplies must be returned to VAT authorities on a monthly basis, electronically through Taxisnet website, 15 days following the month of reporting. This return, known as the VIIES return, was created to enable the authorities in each EU Member State to ensure that Intra-Community transactions are properly recorded and accounted for.

### **INTRASTAT (Intracommunity Statistics)**

Businesses engaged in intra-Community trade are also obliged to make a periodic INTRASTAT return, for statistical purposes, where the value of acquisitions from other Member States for 2017 exceeds €100,000 per annum or the value of dispatches to other EU Member States exceeds €55,000 per annum. The statistical thresholds are subject to annual changes.

Intrastat return is submitted monthly, 10 days following the month of reporting.

### **8<sup>th</sup> Directive Refunds**

As of the 1<sup>st</sup> of January 2010, EU companies are able to reclaim foreign VAT, by applying electronically in their own state.

The resident member state will forward the VAT refund claims electronically to the member states concerned by 30 September of the calendar year following the period to which the VAT relates. Minimum amount for an application per member state is €400 (or equivalent).

### **Penalties and interest**

- Late registration €85.00 for every month of late Registration
- Late deregistration €85.00 one-off
- Late submission of VAT form €51.00 each return
- Late payment of outstanding tax is imposed with a 10% flat charge on the outstanding amount plus interest
- Late submission of Intrastat form €15.00
- Late submission of VIIES form €50.00 for each return
- Late submission of corrective VIIES return €15.00 for each return
- Omission to submit the VIIES return constitutes a criminal offence with a maximum penalty of €850.00.

## ***VAT on the acquisition and/or construction of primary residence - Imposition of the reduced rate of 5%***

The reduced rate of 5% applies to contracts that have been concluded from 1 October 2011 onwards provided they relate to the acquisition and/ or construction of residences to be used as the primary and permanent place of residence for the next 10 years.

Qualifying property is property for which an application has been submitted for the issue of planning permission after 1st May 2004. On 18 November 2016, a legislative amendment came into force that removed the previous restriction of the total covered area not to exceeding 275m<sup>2</sup>. According to the amendment, the reduced rate of 5% is applied only on the first 200m<sup>2</sup> (extended for families with more than three dependants, by 15m<sup>2</sup> for each additional child beyond the three children) and the remaining area is taxed under standard rate of 19%.

The reduced rate is imposed after obtaining the commissioner's approval by submitting the relevant application form, accompanied by a number of documents which demonstrate the ownership rights and the fact that the property will be used as the primary and permanent place of residence (i.e. copies of telephone bill, electricity, water, municipality taxes or any other suitable evidence). Eligible are persons who are citizens of the Republic of Cyprus or of any other EU Member state who reside permanently in Cyprus, have reached the age of 18 at the date of the application and do not possess any other property which is used as the primary residence in the Republic.

Further to the above, from 8 June 2012, residents of non-EU member states are considered eligible persons provided that the property will be used as their primary and permanent residence in the Republic.

Within six months from the date the property is inhabited, eligible persons must submit documents (copy of a utility bill, municipal taxes etc.) supporting the fact that the property is used as the primary and permanent residence.

If within a period of 10 years a person ceases to use the property as his primary and permanent residence he must notify the commissioner within 30 days of ceasing the use and pay the difference resulting from between the standard and the application of the reduced rate, attributable to the remaining period that the property will not be used as the primary and permanent residence. Following the legislative amendment, a person has the right to re-apply for a reduced rate of 5% for a new qualifying property, at any point of time, provided that he has paid the whole difference resulting from between the standard and the application of the reduced rate.

## **5% is imposed on the renovation and repair of private residences**

As per the amendment of the VAT legislation on the 4th of December 2015 a reduced rate of 5% is imposed for renovation and repair of private residences excluding the value of materials that constitute more than 50% of the value of the service provided. The reduced rate applies only if 3 years have already passed from the date the residence it was firstly resided.

## ***19% VAT is imposed on leasing of immovable property***

As from 13/11/2017 19% VAT is imposed on leasing of immovable property (other than residential buildings) when used by a lessee who is a relevant taxable person, performing taxable supplies. The lessor has the right to opt in or out for each individual property by applying to the Commissioner of Taxation in writing.

## ***19% is imposed on the supply of undeveloped building land***

As from 2/1/2018 19% VAT is imposed on the supply of undeveloped building land, which is defined as land intended for the construction of one or more buildings in the course of carrying out an economic activity. Effectively all land is included in this definition except for land located in agricultural zones, animal farmland zones preservation or archaeological zones.

# Transfer Fees by the Land Registry Department & Immovable Property Tax

Real-estate transfers are subject to a transfer fee based on the selling price or on the current market value of the property.

The fees charged by the Department of Land and Surveys to the acquirer for transfers of immovable property are as follows:

Market Value €	Rate %	Fee €	Accumulated Fee €
First 85,000	3	2,550	2,550
From 85,000 to 170,000	5	4,250	6,800
Over 170,000	8	-	-

However, if VAT is paid on the property, no transfer fees are due. For transfers of immovable property that no VAT is paid, the land transfer fees are reduced by 50%.

Also the following rates are applicable in the case of free transfers:

From parents to children	Nil
Between spouses	0.1%
Between third degree relatives	0.1%
To trustees	€50

Value in these cases is the one written on the title deed which refers to values as at 1 January 2013.

Mortgage registration fees are 1% of the current market value.

In the case of companies' reorganizations, transfers of immovable property are not subject to transfer fees by the Land Registry Department.

## Immovable Property Tax

As of 1 January 2017 immovable property tax is abolished for the tax year 2017 and for each subsequent year.

# Trusts

A trust is established by an individual “the settlor” and is a means whereby property “the trust property” is held by one or more persons “the trustees” for the benefit of another or others “the beneficiaries” or for specified purposes. A trust is not a separate legal entity.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax saving schemes involves trusts and their duration lasts in perpetuity.

## International trusts

Cyprus International Trusts are governed by the International Trusts Law of Cyprus as amended by the House of Representatives on 8th of March 2012. According to the amendments of the Law, a Cyprus International Trust is defined as a trust in respect of which:

- The Settlor is not a tax resident in Cyprus during the calendar year which precedes the year of creation of the trust
- At least one of the Trustees is a tax resident in Cyprus during the trust period
- None of the Beneficiaries are tax resident in Cyprus during the calendar year which precedes the year of creation of trust

Tax new Cyprus International Trusts enjoy important tax advantages, providing significant tax planning opportunities. The following advantages are indicative of the possible options for tax minimization.

- The income and gains of a Cyprus International Trust which are acquired or deemed to be acquired from sources outside Cyprus are not subject to any taxation in Cyprus, provided that the beneficiary is not tax resident Cyprus.
- In the case the beneficiaries of a Cyprus International Trust are non Cyprus tax resident, then, only the income and the gains which are acquired or are deemed to be acquired from sources within Cyprus are subject to taxation in Cyprus.
- Gains on the disposal of assets of an International Trust are not subject to capital gains tax in Cyprus for assets not situated in Cyprus.
- The assets of an International Trust are not subject to estate duty in Cyprus. Estate duty has been abolished since 1 January 2000.

# Stamp & Capital Duties

The table provided gives the amount or rate of duty payable on certain documents. Transactions which fall within the scope of reorganizations are exempt from stamp duty. Also any contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

## Nature of documents subject to stamp duty or other duties

Contracts with fixed amount	
As from 1 March 2013	
• for amounts up to €5.000	0
• for amounts up to €5.001 - €170.000	1.5‰
• More than €170.000	2‰*
Contracts without fixed sum	€35
Customs declaration documents	€18 - €35
Tax Residency certificate issued by Tax Department	€80
Receipts(if not exempt) – for sums of over €4	7 cents
Cheques	5 cents
Letters of credit	€2
Charterparty	€18
Letters of guarantee	€4
Bills of exchange	€1
Bills of lading	€4
Powers of attorney	
• general	€6
• limited	€2
Certified copies of contracts and documents	€2
Ancillary documents	€2

\*Capped at a maximum of €20,000.

NOTE: Transactions during companies' reorganizations are exempt from stamp duty.

## Nature of documents subject to capital duty

Upon incorporation of a Cyprus company	
Authorized share capital	€105 plus 0.6% on the authorized share capital

Issued share capital	There is no capital duty payable if the shares are issued at their nominal value. There is a €20 flat duty if the shares are issued at a premium
<b>Upon subsequent increases</b>	
Authorized share capital	0.6% on the additional share capital
Issued share capital	€20 flat duty on every issue whether the shares are issued at nominal value or at a premium

# Double Taxation Agreement

The following tables give a summary of the withholding taxes provided by the double tax treaties entered into by cyprus.

## Paid from Cyprus

	Dividends %	Interest %	Royalties % Used within Cyprus
Non-treaty Countries	0 <sup>(1)</sup>	0 <sup>(1)</sup>	5/10 <sup>(2)</sup>
Armenia	0	0	5
Austria	0	0	0
Bahrain <sup>(53)</sup>	0	0	0
Barbados	0	0	0
Belarus	0	0	5
Belgium	0	0	0
Bosnia <sup>(26)</sup>	0	0	5/10 <sup>(45)</sup>
Bulgaria	0	0	5/10 <sup>(45)</sup>
Canada	0	0	0/5/10 <sup>(44) (45)</sup>
China	0	0	5/10 <sup>(45)</sup>
Czech Republic	0	0	0/10 <sup>(49)</sup>
Denmark	0	0	0
Egypt	0	0	5/10 <sup>(45)</sup>
Estonia	0	0	0
Ethiopia	0	0	5
Finland	0	0	0
France	0	0	0/5 <sup>(3)</sup>
Georgia <sup>(53)</sup>	0	0	0
Germany	0	0	0
Greece	0	0	0/5 <sup>(45)</sup>
Guernsey <sup>(51)</sup>	0	0	0
Hungary	0	0	0
Iceland <sup>(50)</sup>	0	0	5
India	0	0	5/10 <sup>(45)</sup>
Iran	0	0	5/6 <sup>(56)</sup>
Ireland	0	0	0/5 <sup>(45)</sup>
Italy	0	0	0
Jersey	0	0	0
Kuwait	0	0	5
Latvia <sup>(53)</sup>	0	0	0/5 <sup>(54)</sup>
Lebanon	0	0	0
Lithuania <sup>(37)</sup>	0	0	5
Malta	0	0	5/10 <sup>(45)</sup>
Mauritius	0	0	0
Moldova	0	0	5
Montenegro <sup>(26)</sup>	0	0	5/10 <sup>(45)</sup>
Norway	0	0	0
Poland	0	0	5
Portugal	0	0	5/10 <sup>(45)</sup>
Qatar	0	0	5
Romania	0	0	0/5 <sup>(48)</sup>
Russia	0	0	0
San Marino	0	0	0
Serbia <sup>(26)</sup>	0	0	5/10 <sup>(45)</sup>
Seychelles	0	0	5
Singapore	0	0	5/10 <sup>(45)</sup>
Slovak Republic <sup>(20)</sup>	0	0	0/5 <sup>(48)</sup>
Slovenia	0	0	5
South Africa	0	0	0
Spain <sup>(41)</sup>	0	0	0
Sweden	0	0	0
Switzerland <sup>(52)</sup>	0	0	0
Syria	0	0	5/10 <sup>(45)</sup>
Thailand	0	0	5/10 <sup>(46)</sup>
Ukraine	0	0	5/10 <sup>(47)</sup>
United Arab Emirates	0	0	0
United Kingdom	0	0	0/5 <sup>(3)</sup>
United States	0	0	0

## Received in Cyprus

	Dividends %	Interest %	Royalties %
Armenia	0/5 <sup>(31)</sup>	5	5
Austria	10	0	0
Bahrain <sup>(53)</sup>	0	0	0
Barbados	0	0	0
Belarus	5/10/15 <sup>(18)</sup>	5	5
Belgium	10/15 <sup>(8)</sup>	0/10 <sup>(6,19)</sup>	0
Bosnia <sup>(26)</sup>	10	10	10
Bulgaria	5/10 <sup>(23)</sup>	0/7 <sup>(6,24)</sup>	10 <sup>(24)</sup>
Canada	15	0/15 <sup>(4)</sup>	0/10 <sup>(5)</sup>
China	10	10	10
Czech Republic	0/5 <sup>(29)</sup>	0	0/10 <sup>(30)</sup>
Denmark	0/15 <sup>(6), (33)</sup>	0	0
Egypt	15	15	10
Estonia	0	0	0
Ethiopia	5	5	5
Finland	5/15 <sup>(36)</sup>	0	0
France	10/15 <sup>(35)</sup>	0/10 <sup>(10)</sup>	0/5 <sup>(3)</sup>
Georgia <sup>(53)</sup>	0	0	0
Germany	5/15 <sup>(36)</sup>	0	0
Greece	25	10	0/5 <sup>(11)</sup>
Guernsey <sup>(51)</sup>	0	0	0
Hungary	5/15 <sup>(8)</sup>	0/10 <sup>(6)</sup>	0
Iceland <sup>(50)</sup>	5/10 <sup>(15)</sup>	0	5
India	10 <sup>(36)</sup>	0/10 <sup>(10)</sup>	15 <sup>(14)</sup>
Iran	5/10 <sup>(57)</sup>	5	6
Ireland	0	0	0/5 <sup>(11)</sup>
Italy	15	10	0
Jersey	0	0	0
Kuwait	0	0	5
Latvia <sup>(53)</sup>	0/10 <sup>(55)</sup>	0/10 <sup>(55)</sup>	0/5 <sup>(54)</sup>
Lebanon	5	5	0
Lithuania <sup>(37)</sup>	0/5 <sup>(39)</sup>	0	5
Malta	0	10	10
Mauritius	0	0	0
Moldova	5/10 <sup>(27)</sup>	5	5
Montenegro <sup>(26)</sup>	10	10	10
Norway <sup>(40)</sup>	0/15 <sup>(12)</sup>	0	0
Poland	0/5 <sup>(35)</sup>	0/5 <sup>(6)</sup>	5
Portugal	10	10	10
Qatar	0	0	5
Romania	10	0/10 <sup>(6)</sup>	0/5 <sup>(7)</sup>
Russia	5/10 <sup>(16)</sup>	0	0
San Marino	0	0	0
Serbia <sup>(26)</sup>	10	10	10
Seychelles	0	0	5
Singapore	0	0/7/10 <sup>(6), (25)</sup>	10
Slovak Republic <sup>(20)</sup>	10	0/10 <sup>(6)</sup>	0/5 <sup>(7)</sup>
Slovenia	5	5	5
South Africa	5/10 <sup>(28)</sup>	0	0
Spain <sup>(41)</sup>	0/5 <sup>(32)</sup>	0	0
Sweden	5/15 <sup>(8)</sup>	0/10 <sup>(6)</sup>	0
Switzerland <sup>(52)</sup>	0/15 <sup>(38)</sup>	0	0
Syria	0/15 <sup>(42)</sup>	0/10 <sup>(4)</sup>	10/15 <sup>(43)</sup>
Thailand	10	10/15 <sup>(21)</sup>	5/10/15 <sup>(22)</sup>
Ukraine	5/15 <sup>(17)</sup>	2	5/10 <sup>(34)</sup>
United Arab Emirates	0	0	0
United Kingdom	0/15 <sup>(13)</sup>	10	0/5 <sup>(3)</sup>
United States	5/15 <sup>(9)</sup>	0/10 <sup>(10)</sup>	0

- (1) Cyprus legislation does not provide any WHT on dividends and interest paid to non-residents of Cyprus.
- (2) Royalties earned on rights used within Cyprus are subject to WHT of 10% with an exception on royalties relating to cinematographic films, where the WHT rate is 5%. Royalties earned on rights used outside Cyprus are not subject to WHT in Cyprus.
- (3) A rate of 5% on cinematographic films and TV royalties.
- (4) Nil if paid to a government/Central Bank/ Public Authority or for export guarantee.
- (5) Nil on literary, dramatic, musical, or artistic work.
- (6) Nil if paid to the government/Central Bank/ Public Authority of the other state.
- (7) 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
- (8) A rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual.
- (9) A rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the WHT rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a WHT rate of 15%.
- (10) Nil if paid to a government, bank, or financial institution.
- (11) A rate of 5% on film royalties.
- (12) Nil rate applies if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividend or if the beneficial owner of the shares is the Government of Cyprus or Norway. A rate of 15% in all other cases.
- (13) This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate. Companies controlling at least 10% of the voting shares are entitled to nil WHT.
- (14) A rate of 10% for payments of a technical, managerial, or consulting nature.

- (15) A rate of 5% if received by company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases.
- (16) A rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than EUR 100,000 in the share capital of the company paying the dividend.
- (17) A rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the company paying the dividends and the beneficial owner invested less than EUR100.000 in the share capital of the company paying the dividend.
- (18) If investment is less than EUR 200,000, dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.
- (19) No WHT for interest on deposits with banking institutions.
- (20) The Cyprus-Czechoslovakia treaty applies with Slovak Republic.
- (21) A rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise.
- (22) This rate applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes.
- (23) This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the WHT is 10%.
- (24) This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity.
- (25) A rate of 7% if paid to a bank or financial institution.
- (26) Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty.
- (27) This rate applies if received by a company (excluding partnerships) that holds directly 25% of the shares. A rate of 10% applies in all other cases.
- (28) A protocol to the treaty entered into force on 18 September 2015 and may apply retrospectively. 5% if the beneficial owner is a company holding at least 10% of the capital of the dividend paying company. 10% in all other cases.

- (29) This rate applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. 5% applies in all other cases.
- (30) 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.
- (31) A rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000.
- (32) A rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares.
- (33) A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A rate of 15% also applies if received by an individual.
- (34) A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT will be levied in all other cases.
- (35) A rate of 10% applies if the recipient company (partnership is excluded) holds directly at least 10% of the share capital of the paying company. 15% in all other cases.
- (36) Prior 1 April 2017, a rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.
- (37) The treaty with Lithuania is effective from January 1, 2015. This is the first double tax treaty between the two countries.
- (38) 0% if the beneficial owner is a company (other than a partnership) holding directly at least 10% of the capital of the dividend paying company for an uninterrupted period of at least one year (the holding period condition may be satisfied after the date of paying the dividend). 0% if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases.
- (39) A rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and in all cases if received by an individual.
- (40) The treaty with Norway is effective from January 1, 2015. This replaces the previous treaty effective between the two countries.

- (41) The treaty with Spain is effective from January 1, 2015 but the withholding taxes were effective since May 28, 2014. This is the first double tax treaty between the two countries.
- (42) A rate of 15% if received by a company holdings less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited by shares.
- (43) 10% rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (44) 0% on literary, dramatic, musical, or artistic work excluding motion pictures films and works on film or videotape for use in connection with television.
- (45) The WHT rate of 5% is applicable on cinematographic film royalties.
- (46) 5% WHT applies for any copyrights of literary, dramatic, musical, artistic or scientific work.
- (47) A 5% WHT will be levied on payment of royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process, information concerning industrial, commercial or scientific experience and cinematographic films.
- (48) 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, processes, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (49) 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
- (50) The treaty with Iceland is effective from 1 January 2015. This is the first double tax treaty between the two countries.
- (51) The treaty with Guernsey is effective from 1 January 2016.
- (52) The treaty with Switzerland is effective from 1 January 2016.
- (53) The treaty is effective from 1 January 2017.
- (54) Nil rate applies if the payer is a Cyprus resident company and the beneficial owner is a company (other than partnership) that is a resident in Latvia. A rate of 5% in all other cases.

- (55) Nil rate applies if the payer is a Latvian resident company and the beneficial owner is a company (other than partnership) that is a resident in Cyprus. A rate of 10% in all other cases.
- (56) The WHT rate of 5% is applicable on cinematographic film royalties.
- (57) The WHT rate of 5% applies when the beneficial owner of the dividends is a company holding at least 25% of the company paying the dividends. 10% applies in all other cases.

# Tax Calendar

Date	Obligation	Form	Penalty Notes
Within 30 days	Issuance of invoices within 30 days from the date the transaction was made, unless the taxable person requests in writing and receives such extension from the Commissioner		1
Within 60 days	Obtaining a Tax Identification Code: Following the registration or incorporation of a company with the Registrar of Companies, the company is obliged to submit an application for registration with the Inland Revenue Department. Similar rules apply in the case of companies incorporated outside Cyprus that become tax resident of Cyprus		2
Within 60 days period of such change	Notification of changes of companies details (i.e. registered office, activities, auditors etc)		3
Four months from the end month of the transaction	Updating of books and records by businesses which are obliged to keep accounting books		4
At the end of the financial period	Stock taking must be conducted annually by businesses which have inventory		5
Within the time frame specified by the tax authorities	Submission of information requested in writing by the tax authorities		6
31 January	Submission of declaration of Deemed Dividend Distribution for the year ended 31 December 2015	TD623	13
31 March	Electronic submission of Income Tax Return for individuals and companies preparing audited accounts (extended until 30 June 2018)	TD4 TD1	7,8 7,8
30 April	Submission of Income Tax Return by individuals (deadline extended by 3 months in case of electronic submission). We understand that for the tax year 2017 all returns should be electronically filled. See deadline 31 July 2017.	TD1	7,8
30 June	Submission of Income Tax Return by self-employed individuals who do not submit audited accounts but are obligated to issue invoices, receipts, etc (deadline extended by 3 months in case of electronic submission)	TD1	7,8
	Payment of tax balance for the previous year by individuals who do not submit audited accounts	TD158	9
	Payment of Contribution to the Defence Fund on rents, dividends or interest received from sources outside Cyprus during the first half of the current year	TD601	10

31 July	Electronic submission of Employer's Return	TD7	7,8
	Submission of Temporary Tax Assessment for the current year	TD5	11
	Payment of first installment of tax based on the Temporary Tax Assessment	TD6	12
01 August	Payment of the balance of tax for the previous year by companies and by self-employed with audited accounts	TD158	9
31 December	Payment of Contribution to the Defence Fund on rents, dividends or interest received from sources outside Cyprus during the second half of the current year	TD601	10
	Payment of second instalment of tax based on the Temporary Tax Assessment	TD6	12
	Submission of revised temporary tax assessment for the current year if necessary	TD6	11
Within 30 days	Payment of Capital Gains Tax	TD401	13
By the end of the next month	Payment of tax deducted from employees emoluments (PAYE).	TD61	14
	Payments of Contribution to the Defence Fund withheld from dividends, interests and rents paid in the previous month.	TD601	10
	Payment of Social insurance deducted from employees' salaries	Y.K.A. 2-002	15
40 days after the end of the VAT period	Submission of VAT return and payment VAT due	VAT 4	16,17
By the 10 <sup>th</sup> of the next month after the end of the period	Submission of Intrastat	INTRAS TAT 1.1	19
By the 15 <sup>th</sup> of the next month after the end of the period	Submission of VIES	VIES1	18

# Penalty Notes

- (1) Late issue of invoices results in the imposition of a penalty equal to €100. The penalty is imposed on a monthly basis irrespective of the number of invoices failed to be issued within a specific month.
- (2) Late registration with the Inland Revenue Department results in the imposition of a penalty equal to €100.
- (3) Late communication of changes to the Inland Revenue Department results in the imposition of a penalty equal to €100. The penalty is applicable on each change not communicated.
- (4) Late update of the books and records results in the imposition of a penalty equal to €100 (on a quarterly basis).
- (5) No stock taking results in the imposition of a penalty equal to €100.
- (6) Late submission of information requested by the Inland Revenue Department, results in the imposition of a penalty equal €100 or €200.
- (7) Upon conviction of failure to submit a return, a person shall be liable to a fine not exceeding €17 per day for as long as failure continues, or to imprisonment for a term not exceeding 12 months, or both. Any person who without any excuse omits any object of the tax from the return shall be liable, on conviction to a fine up to €3.417 plus the tax due plus an amount equal to two times the difference between the amount of tax properly imposed and the amount of tax that would have been imposed had the assessment been based on the return.
- (8) Late submission results in the imposition of a penalty equal to €100. If the tax return for a specific year is requested in writing by the tax office and this is not submitted within the requested period, then a penalty of €200 is imposed for every notice issued.
- (9) If the tax is not paid by the due date, interest is imposed at the rate of 3.5%\* per annum (interest is calculated on the basis of completed months for income tax and corporation tax only). An additional penalty of tax of 5% is imposed in the case where the due tax is not paid by the due date or the date specified on an assessment. If the delay in not paying the tax is extended to beyond 2 months then the penalty is 10%.
- (10) An administrative fine of a maximum of €20000 is imposed if a person either acts or omits to act in contravention to the provisions of the Assessment and Collection of Taxes law and any regulations thereon. Such regulations are the Country by Country Reporting and the Common Reporting Standard.

- (11) Additional tax is imposed equal to 10% of the difference between the tax due per the final assessment and the tax per the temporary assessment, if the temporary taxable income is less than 75% of the taxable income per the final assessment.
- (12) Late payment of PAYE results in the imposition of interest at 3.5%\* per annum from the due date and an additional penalty of 1% per month for as long as the delay continues (interest is calculated on the basis of completed months).
- (13) Late payment of Social Insurance results in the imposition of a penalty of 3% for each month of delay as long as the delay continues. The total amount of the penalty cannot exceed 27% of the amount due.
- (14) Late submissions of the VAT return results to the imposition of a penalty of €51 per VAT return form.
- (15) Late payment of outstanding VAT results to:
  - Penalty at the rate of 10% of the outstanding amount
  - Interest is imposed at the rate of 3.5%\* per annum on the outstanding amount and the penalty (interest is calculated for complete months)
- (16) Late submission of VIES results in the imposition of a penalty of €50 for each VIES form.
- (17) Late submission of INTRASTAT results in the imposition of a penalty of €15 for each INTRASTAT form.

\*The official rate set by the Minister of Finance applicable as of 1.1.17 is 3.5% (4% for 2015-2016, 4.5% for 2014, 4.75% for 2013, 5% for 2011-2012; 5.35% for 2010; 8% for 2007-2009; previously 9%)

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