



## APSEROU SHIAKA & CO

### Cyprus Tax information 2010

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## 1. *Personal Income Tax*

### Basis of taxation

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

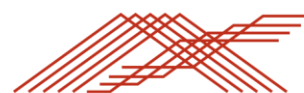
An individual is tax resident in Cyprus if he spends in Cyprus more than 183 days in any one year. Days in and out of Cyprus are calculated as follows:

- (a) the day of departure from Cyprus counts as a day of residence outside Cyprus.
- (b) the day of arrival in Cyprus counts as a day of residence in Cyprus.
- (c) arrival and departure from Cyprus in the same day counts as one day of residence in Cyprus.
- (d) departure and arrival in Cyprus in the same day counts as one day of residence outside Cyprus.

### Personal tax rates for 2010

Chargeable income	Tax rate	Accumulated tax
€	%	€
0 – 19.500	Nil	Nil
19.501 - 28.000	20	1.700
28.001 - 36.300	25	3.775
over 36.300	30	

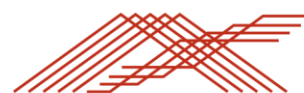
Foreign pension is taxed at the rate of 5%. An annual exemption of €3.420 is granted.



## Exemptions

### Types of income which are exempt from income tax

Type of income	Exemption limit
Interest income	The whole amount
Dividend income	The whole amount
Remuneration from salaried services in Cyprus by an individual who was not resident of Cyprus before the commencement of his employment, for a period of 3 years commencing from 1st January following the year of commencement of the employment	20% of income with a maximum amount of €8.550 annually for three years
Remuneration from 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	The whole amount
Profits of a permanent establishment abroad under certain conditions	The whole amount
Lump sum received by way of retiring gratuity, commutation of pension or compensation for death or injuries.	The whole amount
Capital sums accruing to individuals from any payments to approved funds (eg provident funds)	The whole amount
Deposits with Housing Finance Corporations until 30 April 2003	40% of the amount deposited with maximum amount of 25% of the person's total income
Profit from the sale of securities (shares debentures, bonds)	The whole amount
Widows pension granted under schemes approved by the Commissioner of Income Tax	The whole amount



## Tax deductions

The following types of expense are deducted from chargeable income:

Type of expense	Exemption limit
Contributions to trade unions or professional bodies	The whole amount
Loss of current year and previous years	The whole amount
Expenses for rented property	20% of rental income
Interest payable on rented property	The whole amount
Donations to approved charities (with receipts)	The whole amount
Expenditure incurred for the maintenance of a building in respect of which there is in force a Preservation Order	Up to €700, €1100 or €1200 per square meter (depending on the size of the building)
Social Insurance, provident fund, medical fund, pension fund contributions and life insurance premiums (the allowable annual life insurance premium is restricted to 7 % of the insured amount)	Up to 1/6 of the chargeable income

## Social grants

- Grant of €2.562,90 per annum for every child receiving full time higher education in Cyprus (with certain restrictions) or full time university education outside Cyprus. Families with more than three children receive additional grand of €854,30
- Grant of €3.417,20 per annum for blind persons.
- All families resident in Cyprus fulfilling the provisions of the Law, are entitled to a **basic child grant**, whereas those families that had a gross family (applicant, spouse, children) income below €36.735, are entitled to an additional child grant as indicated in the table below.
- Families with 4 children and more and resident in Cyprus are entitled to a grant for the purchase of car (€3.417.20-€5.125,30)

Number of children in the family	Basic annual grant €	Additional annual grant for families with an annual income in 2007 up to €18.367,47 (£10.750) €	Additional annual grant for families with an annual income in 2007 greater than €18.367,47 (£10.750) and up to €36.734,93 (£21.500) €
1 child	411,30	102,82	102,82
2 children	822,62	411,30	411,30
3 children	822,62 per child	308,48 per child	308,48 per child
More than 3 children	1.357,31 per child	452,43 per child	452,43 per child

Upon application, the applicants do not need to submit any proof/evidence of their income, unless it is the first time claim.

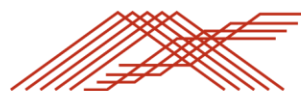
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Chartered Certified Accountants

<b>EXAMPLE OF TAX COMPUTATION:</b>		
	€	€
Salary	65.000	
Rent receivable	6.000	
Interest receivable (exempt)	2.000	
Dividends receivable (exempt)	2.500	
<b>Total income</b>		<b>75.500</b>
<b>Less: deductions</b>		
Donations - (with receipts)	300	
20% of rent income	1.200	
Non Taxable Income	4.500	<b>6.000</b>
<b>Net total income</b>		<b>69.500</b>
Life insurance premiums (paid €8.000): Restricted to 7 per cent of the insured sum (7% @ €110.000 = €7.700).		
Provident fund (paid €2.500), social insurance contributions (paid €2.500) and life insurance premiums restricted to 1/6 of net total income including interest and dividends. (€7.700 + €2.500 + €2.500 = €12.700 restricted to 1/6 of €69.500)		11.583
<b>Chargeable income</b>		<b>57.917</b>
Tax payable: -first	19.500	0,00
- next	8.500	1.700,00
- next	8.300	2.075,00
- next	21.617	6.485,00
<b>Income tax payable</b>		<b>11.286,00</b>
<b>Special contribution for defence</b>		
Dividends receivable €2.500 X 15%	375,00	
Interest receivable €2.000 x 10%	200,00	
Rent receivable €6.000 – 25% = €4.500 x 3%	135,00	<b>710,00</b>
<b>Total tax payable</b>		<b>11.996,00</b>



## 2. Corporation tax

### Basis of taxation

All companies tax resident of Cyprus are taxed on all their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax resident company is taxed on income accrued or derived from a business activity which is carried out through a permanent establishment in Cyprus.

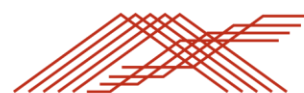
A company is resident of Cyprus if it is managed and controlled in Cyprus.

### Corporation tax rates

	Tax rates %
Semi-government organisations	25
Other companies	10

### Exemptions

Type of income	Exemption limit
Profit from the sale of securities	The whole amount
Dividend income	The whole amount
Interest income from investment activities (not arising from the ordinary activities or closely related to the ordinary activities of the company)	50%
Profits of a permanent establishment abroad, under certain conditions	The whole amount



## Tax deductions

All expenses incurred wholly and exclusively in earning the income of the company including:

Type of expense	Exemption limit
All expenses incurred wholly and exclusively for the purpose of trading	The whole amount
Donations to approved charities (with receipts)	The whole amount
Employer's contributions to social insurance and approved funds on employees' salaries	The whole amount
Any expenditure incurred for the maintenance of a building in respect of which there is a Preservation Order	Up to €700, €1100 or €1200 per square meter (depending on the size of the building)
Entertainment expenses for business purposes	1% of the gross income of the business with max. amount of €17.086

### but not including:

expenses of a private motor vehicle	The whole amount
Interest payable or deemed to be payable in relation to the cost of acquiring a private motor vehicle, irrespective of its use and to the cost of acquiring any other asset not used in the business	The whole amount for 7 years
Contributions to the Social Cohesion Fund	The whole amount



## Annual wear and tear allowances on fixed assets

The following allowances, which are given as a percentage on the cost of acquisition, are deducted from the chargeable income:

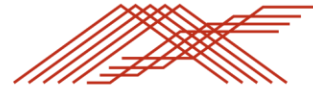
Fixed assets	%
<i>Plant and machinery</i>	
• Plant and machinery	10
• Furniture and fittings	10
• Televisions and videos	10
• Industrial carpets	10
• Boreholes	10
• Machinery and tools used in agricultural business	15
• Computer hardware and operating systems	20
• Application software	
• Up to €1.709	100
• Above €1.709	33 1/3
• Commercial motor vehicles	20
• Motor cycles	20
• Excavators, tractors, bulldozers, self-propelled loaders and drums for petrol companies	25

<i>Buildings</i>	
• Commercial buildings	3
• Industrial, agricultural and hotel buildings	4
• Flats	3
• Metallic greenhouse structures	10
• Wooden greenhouse structures	33 1/3

<i>Boats</i>	
• Sailing vessels	4,5
• Steamers, tugs and fishing boats	6
• Shipmotor launches	12,5
• New cargo (commercial) vessels	8
• New passenger vessels	6
• Used cargo / passenger vessels	Over their useful lives

<i>Tools</i>	
• Tools in general	33 1/3
• Videotapes property of video clubs	50





## Losses carried forward

Taxable losses incurred during a tax year and which cannot be set off against other income, is carried forward and set off against future profits with no time restriction. This provision is applicable for all losses incurred from 1997 tax year onwards.

Taxable losses cannot be carried forward in cases where there is a change in the ownership of the company and significant change in the nature of business, within three years from the year in which the loss was carried.

### **Group relief**

The current year loss of one company can be set off against the profit of another provided the companies are Cyprus tax resident companies of a group. Group is defined as:

- (a) one company holding at least 75% of the shares of the other company or
- (b) at least 75% of the voting shares of the companies are held by another company.

A partnership or a sole trader transferring business into a company can carry forward tax losses into the company for future utilisation.

### **Losses of a permanent establishment outside the republic**

Losses from a permanent establishment abroad can be set off against profits of the company in Cyprus. Subsequent profits of the permanent establishment abroad are taxable up to the amount of losses utilised in the past against profits arising in the Republic.

## Reorganisations

Transfers of assets and liabilities between companies can be effected without tax consequences within the framework of a reorganisation.

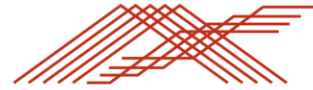
Reorganisations include mergers, demergers, transfer of activities, exchange of shares, transfer of registered office, transfer of assets, partial divisions.

## International business companies (IBCs)

Up to 31 December 2002, IBCs are subject to tax at the rate of 4,25% irrespective of where management and control is exercised. As from 1 January 2003, IBCs are subject to tax in Cyprus if management and control is exercised from Cyprus, at the rate of 10%. All provisions mentioned above are also valid for IBCs.

## Transitional period rules

IBCs and international branches, were entitled to elect to be taxed with the transitional period rules for the tax years 2003, 2004 and 2005 provided that during the tax year ended on 31 December 2001 they had income from sources outside Cyprus or they had activities during 2001 which resulted to income at a later stage. During the transitional period the tax rate was 4,25%. As from 1 January 2006 these companies are taxed at 10%.



## Special types of companies

### Shipping companies

- No income tax is payable on the profits earned or dividends paid by a Cyprus shipping company which owns ships under the Cyprus flag and operates in international waters, or on the salaries of officers and crew of such ships.
- Local or international ship management and crew management businesses (corporated or unincorporated) are automatically taxed using the tonnage tax method of taxation of ship management services, unless they have expressly opted to be taxed at 4,25% on their income derived from the rendering of ship management services. The option once exercised remains in force until a written notice withdraws it.

Interested persons may exercise the option, sending a written notice to the Department of Inland Revenue at least 30 days before the 1<sup>st</sup> January of the relevant fiscal year.

- *New tax exemption for Community Ships*

Ship managers operating in Cyprus are entitled to tax exemption in respect of any Community ship to which the provision of ship management services in relation to its crewing and technical management is entirely contracted to a Cyprus or a Community Ship management company, which has an office in Cyprus staffed with a sufficient in number and qualifications personnel, for technical, administration and accounting matters relating to ships.

### Insurance companies

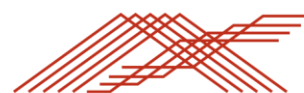
Profits of insurance companies are liable to corporation tax similar to all other companies except in the case where the corporation tax payable on taxable profit of life insurance business is less than 1,5% on gross premium. In this case the difference is paid as additional corporation tax

### International Collective Investment Schemes (ICISs)

The sole object of an ICIS is the collective investment of funds of the unitholders. ICISs can take the following legal forms:

- International fixed capital company
- International variable capital company
- International unit trust scheme and
- International investment limited partnership

ICISs are liable to corporation tax similar to all other legal entities depending on the legal status of the ICIS.



## 3. Special Contribution for Defence

Special contribution for defence is imposed on income earned by Cyprus tax residents. Non-tax residents are exempt from special contribution for defence. It is charged at the rates shown in the table below:

### Tax rates

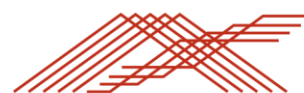
	Individuals %	Legal entities %
• Dividend income from Cyprus resident companies	15	Nil
• Dividend income from non-Cyprus resident companies (note)	15	(Nil <sup>1</sup> (under conditions))
• Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	Nil
• Interest income from savings bonds and development bonds and all interest earned by a provident fund	3	3
• Other interest	10	10
• Rental income (reduced by 25%)	3	3
• Profits of semi-government organizations	N/A	3

### Notes

- Dividend income from abroad is exempt from defence fund contribution. This exemption does not apply if:
  - more than 50% of the paying company's activities result directly or indirectly in investment income **and**
  - the foreign tax is significantly lower than the tax rate payable in Cyprus.
- Dividends received from companies net of 20% withholding tax under the legislation that was in force up to 31 December 2002, and not distributed as dividends up to 31 December 2002, can be distributed within six years from the date of their receipt without any further tax deduction.
- When the total income of an individual (including interest) does not exceed €12.000 in a taxable year the rate is reduced to 3%.
- Special contribution for defence on rental income and trading profits is payable in 6 monthly intervals on 30 June and 31 December each year.
- In the case of interest and dividends received gross any defence due is payable at the end of the month following the month in which they were received.
- International business companies which had opted to be taxed at the rate of 4,25% for the years 2003, 2004, 2005 were not subject to defence fund contributions on any income that arose for those three years. From 1 January 2006 all companies tax resident in Cyprus are subject to defence fund contribution.
- Any foreign taxes paid can also be credited against the defence tax liability.

### Deemed dividend distribution

Cyprus resident companies not distributing a dividend within two years from the end of the tax year are liable to 15% special contribution for defence tax on 70% of their accounting profits after the deduction of the corporation tax liability.



## 4. Capital Gains Tax

Capital Gains Tax is imposed at the rate of 20% on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property excluding shares listed in any recognised stock exchange.

### Determination of capital gain

The capital gain is calculated after deducting from the selling price the initial acquisition cost or the market value as at 1/1/1980 whichever is the higher, inflated by the retail price index.

#### EXAMPLE

	€
Sale price at 31 December 2002	137.000
Cost of acquisition at 1 January 1988	(65.000)
Indexation allowance 1 January 1988 to 31 December 2002 €65.000 @ 72,19%	(46.924)
Capital Gain	25.076

### Exemptions

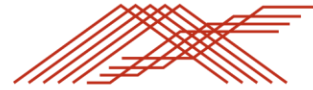
The following disposals of immovable property are not subject to Capital Gains Tax:

- Transfers arising on death.
- Gifts made from parent to child or between husband and wife or between up to third degree relatives.
- Gifts to a 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 day of the transfer.
- Gifts 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 donee for at least three years. For gifts that were made from the company to its shareholders and took place before 28 May 1999, the exemption applies irrespective of how the immovable property was originally acquired by the company.
- Gifts to charities and the Government.
- Transfers as a result of reorganisations.
- Exchange or disposal of immovable property under the Agricultural Land (Consolidation) Laws.
- Expropriations.
- Exchange of properties, provided that the whole of the gain made on the exchange has been used to acquire the other property. The gain that is not taxable is deducted from the cost of the new property, i.e. the payment of tax is deferred until the disposal of the new property.

### Exemptions

Individuals can deduct from the capital gain the following:	€
• Disposal of private residence (subject to certain conditions)	85.430
• Disposal of agricultural land by a farmer	25.629
• Any other disposal	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.



## **5. Estate Duty**

Estate duty has been abolished since 1 January 2000. The executor/administrator of the estate of the deceased, is required by the Deceased Persons Estate Law, to submit to the tax authorities a statement of assets and liabilities of the deceased within six months from the date of death.

## **6. Value Added Tax**

VAT is imposed on the provision of goods and services in Cyprus, as well as on the acquisition of goods from the European Union and the importation of goods into Cyprus.

Taxable persons charge VAT on their taxable supplies (output tax) and are charged with VAT on goods or services which they receive (input tax).

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 input tax is carried forward as a credit and set off against future output VAT.

With regard to intra-community acquisitions the trader does not pay VAT on receipt of the goods in Cyprus but instead he 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 relates to taxable supplies thereby creating no cost to the business.

### **VAT rates**

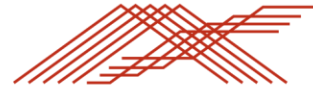
The legislation provides for the following four tax rates:

- . • Zero rate (0%)
- . • Reduced rate (5%) from 1 July 2000
- . • Reduced rate (8%) from 1 August 2005
- . • Standard rate (15%) from 1 January 2003

### **Zero rate 0%**

The zero rated goods and services include the following:

- exports of goods to non EU countries;
- intra-Community supplies of goods;
- processing carried out on goods in Cyprus on behalf of a customer abroad provided that the goods will be exported outside the EU when the processing finishes;
- transportation of passengers directly to or from another country;
- transportation of goods from Cyprus to a destination outside the EU
- supply, importation and rental of qualifying aircrafts and qualifying ships
- alteration, repairs to and maintenance of qualifying aircrafts and qualifying ships;
- most foodstuffs;
- supplies of medicaments falling within code CN30.03 and CN30.04 of the Customs and Excise Tariff;
- supplies of vaccines for medical and veterinary use falling within code CN30.02 of the Customs and Excise Tariff.



## **Reduced rate of 5%**

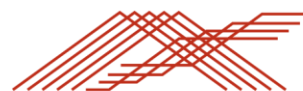
The reduced rate of 5% applies to:

- Funeral services and supply of coffins
- Road sweeping, garbage collection and recycling
- Services of authors, composers, artists and critics of works of art
- Supply of fertilizers
- Supply of animal feeding stuffs
- Supply of seeds
- Supply of live animals of a kind generally used for human consumption
- Newspapers and magazines (as from 1 May 2004)
- Books (as from 1 May 2004)
- Non-bottled water (as from 1 May 2004)
- Gas
- Transfer of persons and their luggage on a rural or city bus
- Various goods for the use of handicapped persons
- Ice-cream, yogurt ice-cream and similar products (as from 1 May 2004)
- Salted or spicy products made from potato (as from 1 May 2004)
- Dry roasted or spicy nuts (as from 1 May 2004)

The following goods and services were introduced to the reduced rate of 5% as from 19 October 2007 (previously taxed at 15% ).

- Renovation or repair of houses for which a period of three years has elapsed since their first use and which are used as the primary and permanent place of residence: (i) construction services and (ii) services of plumbers, electricians, carpenters and oil painters. In case the materials cost exceed 50% of the total value, then the VAT to be charged is the standard rate of 15% on the value of the materials and the reduced rate of 5% on the value of the service;

- hair salon services;
- confectionery items, chocolate and biscuits which are partly or wholly covered with chocolate;
- bottled water, manufactured beverages, juice drinks (except those taxed at the standard VAT rate);
- ingredients which are used in the preparation of foodstuffs;
- food supplements and foodstuffs substitutes previously taxed at 15%;
- syrups, flavoured or / and coloured;
- supplies of medicines and vaccines which were previously taxed at 15%;
- products used for contraception;
- products used for women's sanitary protection;
- medical equipment when intended for the exclusive personal use of disabled persons;
- children's car seats;
- admission to shows, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities;
- admission to sport events and licenses for the use of sporting facilities;
- services of repair of medical equipment and equipment used by disabled persons (that are taxed at 5%);
- medical services, dental services and services of thermal treatment which were previously not exempt from VAT;



## Reduced rate of 8%

The reduced rate of 8% was introduced on 1 August 2005 and applies to the following services:

- rural and private taxi transport services,
- tourist, excursion and long distance bus services (excluding private and rural buses which continue to be subject to VAT at the standard rate (15%).

Prior to 1 August 2005 the above services were taxed at the standard rate of 15%.

From 1 January 2006 the following supplies were transferred from the lower reduced rate (5%) to the higher reduced rate (8%):

- hotel accommodation services, and
- supplies of goods made in the course of catering with the exception of alcoholic drinks which are subject to VAT at the standard rate.

## Exemptions

Certain goods or services are exempt from VAT. They include:

- Rents
- Medical Services
- Insurance and financial services
- Disposal of used immovable property and new immovable property for which a proper application for planning permission was filed with the relevant authority before 1 May 2004.
- Postal services provided by the national postal authority.

## Difference between zero rate and exempt supplies

The difference between zero rate and exempt supplies is that businesses that make exempt supplies, are not entitled to recover the VAT with which they have been charged on their purchases, expenses or imports.

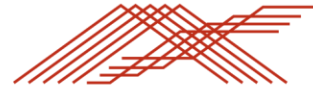
## Grant for acquisition of first residence

The grant is given to entitled persons for the construction or purchase of a new house or the transfer of ownership of a building which is used as the main permanent residence.

The application for the grant is submitted to the Ministry of Finance, in relation to houses for which an application has been submitted for the issue of a planning permission after the 1 May 2004, by any physical person citizen of the Republic of Cyprus or of any other EU member state who resides permanently in the Republic of Cyprus and has reached the age of 18 at the time of application. The grant is given for houses whose total area does not exceed 250 m<sup>2</sup> and is restricted to 130 m<sup>2</sup>.

The amounts of the grant valid from 1 January 2008 are as shown in the table below:

One bedroom apartment	€19.249,28
Two bedroom apartment	€19.249,28
Three bedroom apartment	€17.729,63
Semi detached house	€15.196,87
Detached house	€20.262,38
Construction of house	€10.131,13



## Irrecoverable input VAT

As an exception to the general rule, input VAT cannot be recovered in a number of cases which include the following:

- Acquisition used for making exempt supplies.
- Purchase, import or hire of saloon cars.
- Entertainment and hospitality expenses (except those relating to employees and directors).
- Housing expenses of directors.

## Registration

Registration is compulsory for businesses with (a) turnover in excess of €15.600 during the 12 preceding months or (b) an expected turnover in excess of €15.600 within the next 30 days. Businesses with turnover less than €15.600 and companies which make supplies for which the right to claim the amount of the related input VAT is granted have the option to register if they wish to do so.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is effected by completing the appropriate application form.

An obligation for registration also arises for companies which make acquisitions of goods from other EU Member States in excess of €10.251,61 during any calendar year.

Exempted products and services, and disposals of items of capital nature are not taken into account for determining annual turnover for registration purposes. Registration is effected by completing the appropriate application form.

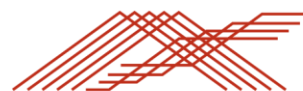
## VAT declaration - Payment/return of VAT

VAT returns must be submitted quarterly and the payment of the VAT must be made within 40 days from the end of each quarter.

VAT registered persons and companies have the right to request for a different filing period. Approval of the VAT authorities is required.

Where in a quarter input tax is higher than output tax, and therefore a repayment is due, the difference is refundable or is transferred to the next VAT quarter to be credited against any payable account.





## 7. Immovable Property Tax

Immovable Property Tax is imposed on the market value as at 1 January 1980 and applies to the immovable property owned by the taxpayer on 1 January of each year. This tax is payable on 30 September each year.

Physical and legal persons are both liable to Immovable Property Tax.

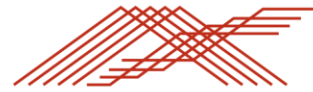
### Tax rates

Property value	Rate	Accumulated tax
€	‰	€
Up to 170.860	-	-
170.861 - 427.150	2,5	641
427.151 - 854.300	3,5	2.136
Over 854.300	4	

### Exemptions

The following are not subject to Immovable Property Tax:

- Public cemeteries
- Churches and other religious buildings
- Public hospitals
- Schools
- Immovable property owned by the Republic
- Foreign embassies and consulates
- Common use and public places
- Property under Turkish occupation
- Buildings under a Preservation Order
- Buildings of charitable organisations
- Agricultural land used in farming or stockbreeding, by farmer or stockbreeder residing in the area.



## ***8. Trusts***

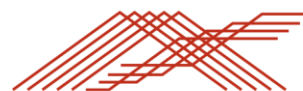
A trust is established by an individual "the settlor" and is a means whereby property "the Trust Property" is held by one or more persons "the Trustees" for the benefit of another or others "the Beneficiaries" or for specified purposes.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax saving schemes involve trusts.

### **International trusts**

International trusts are governed by the International Trusts Law of Cyprus. International Trusts are not taxed in Cyprus. In fact, Cyprus International Trusts enjoy important tax advantages, providing significant tax planning possibilities. The following advantages are indicative of the possible options for tax minimisation.

- All income, whether trading or otherwise, of an International Trust (ie a Trust whose property is located and income is derived from outside Cyprus) is not taxable in Cyprus.
- Dividends, interest or other income received by a Trust from a Cyprus international business company are neither taxable nor subject to withholding tax.
- Gains on the disposal of the assets of an international Trust are not subject to capital gains tax in Cyprus.
- An alien who creates an International Trust in Cyprus and retires in Cyprus is still exempt from tax if all the property settled and the income earned is abroad, even if he is a beneficiary.
- The assets of an international trust are not subject to estate duty in Cyprus.
- Trusts are usually used by wealthy individuals for the purpose of protecting their estate from inheritance or capital gains taxes in their home country. They can also be used by expatriates settling into a trust before repatriating, assets acquired while working abroad, to protect such assets from the tax net of their home country.



## 9. Transfer fees by the Department of Land and Surveys

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

### Rates applying from 19 March 1999

Value	Rate	Fee	Accumulated fees
€	%	€	€
Up to 85.430	3	2.563	2.563
85.431 - 170.860	5	4.272	6.835
Over 170.860	8		

In the case of property transferred to a family company, transfer fees are refundable after five years if the property remains with the company and the shareholders remain the same.

In the case of property transferred from a company whose shareholders are spouses and/or their children, to one of the two spouses, or their children or to a relative up to third degree of relation the transfer fees are calculated on the value of the property as follows:

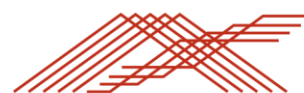
- if the transfer is to a spouse 8%
- if the transfer is to a child 4%
- if the transfer is to a relative up to third degree 8%

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

- from parents to children 4%
- between spouses 8%
- between third degree relatives 8%

Value in these cases is the one written on the title deed which refers to values of the year 1907.

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



## 10. Social Insurance

### Salary contributions

<b>Employee contributions</b>	%
• Social insurance (6.3% till March 2009)	6,8
<b>Other employer's contributions</b>	
• Social insurance (6.3% till March 2009)	6,8
• Social cohesion fund	2,0
• Redundancy fund	1,2
• Industrial training fund	0,5
• Holiday fund (if is not exempt)	8,0

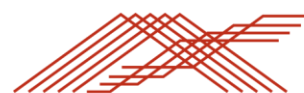
***The maximum level of annual income on which social insurance contributions are paid on is as follows:***

	2010
	€
• Weekly employees	50.596 (€973 per week)
• Monthly employees	50.592 (€4.216 per month)

The contributions of self-employed persons are 11,6 per cent of income, according to the following table.

The upper limits of income on which self-employed persons pay social insurance contributions are €973 per week and the lower limits are as below:

	Lower Limit 2010	
	Weekly €	Annually €
<b>1.</b> Persons exercising a profession for over / under ten years	718 358	37.336 18.616
2. Wholesalers, estate agents, insurance agents, industrialists and other businessmen	718	37.336
3. Builders and other related businesses	436	22.672
4. Farmers, stock breeders, fishermen and other related activities	241	12.532
<b>5.</b> Transport drivers, excavator drivers and other related activities	347	18.044
6. Technicians	347	18.044
7. Clerks, typists, cashiers, secretaries	347	18.044
8. Artisans not falling under any other occupational category	347	18.044
9. Shopkeepers	329	17.108
10. Butchers, bakers, confectioners and similar profession	265	13.780
11. Street vendors, mail carriers, garbage collectors, miners and quarry workers, deck service providers and salesman	241	12532
12. Cleaners, Messengers, watchpersons, dry cleaning owners	329	17.108
13. Draughtspersons, computer equipment operators, ships' engineers, agents and related occupations, musicians, magicians	358	18.616
14. Persons not falling under any other occupational category	358	18.616



## 11. Stamp Duty

The following table 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.

<b>Nature of documents</b>	
• Receipts - for sums of €3,42 – €34,17	3,42 cents
• Receipts - for sums of over €34,17	6,84 cents
• Cheques	5,13 cents
• Letters of credit	€1,71
• Letters of guarantee	€3,42
• Bills of exchange (payable within three days on demand or at sight)	85,43 cents
• Contracts - up to €170.860	1.5‰
- over €170.860	2‰
- without fixed sum	€34,17
• Customs declaration documents	€17,10 – €34,17
• Bills of lading	€3,42
• Charter party	€17,09
• Powers of attorney	- general €5,13 - limited €1,71
• Certified copies of contracts and documents	€1,71
<b>Registrar of Companies fees</b>	
Authorised share capital	€102,52 plus 0.6% on the authorised share capital
Issued share capital	There is no stamp duty payable if the shares are issued at their nominal value. There is a €17,09 flat duty if the shares are issued at a premium
Increase in the Authorised share capital	0.6% on the additional share capital
Increase in the Issued share capital	€17,09 flat duty on every issue, whether the shares are issued at nominal value or at a premium.



## 12. Tax Diary

End of following month

Payment of tax deducted from employees salary (PAYE)

31 January

Submission of declaration of deemed dividend distribution (IR623) for the year ended 31 December two years ago.

30 April

Submission of the previous year personal returns of individuals

Payment of premium tax for life insurance companies -first instalment for the year

Submission by employers of the total payroll of the previous year (Form I.R.7)

30 June

Submission of previous year personal returns of individuals not preparing audited financial statements (1) (2)

Payment of special contribution for defence for the first six months of the year

1 August

Submission of provisional tax declaration and payment of first instalment of provisional tax for the year

Payment of previous year's final corporation tax under the self-assessment method

Payment of previous year's income tax based on the assessment raised by the Commissioner of Income Tax

31 August

Payment of premium tax for life insurance companies -second instalment for the year.

30 September

Payment of provisional tax - second installment for the year

Payment of immovable property tax for the year.

31 December

Submission of previous year audited financial statements and tax returns

Payment of provisional tax - third and last installment for the year

Payment of second installment of special contribution for defense for the last six months of the year

Payment of premium tax for life insurance companies -third and last installment for the year

### Penalties

The official rate for 2007, as set by the Finance Minister, is 8% per annum for all amounts due after 1 January 2007. The interest rate for outstanding amounts before 1 January 2007 is 9%.

### Notes

(1) Physical persons submit returns only when their gross income exceeds €19.500.

(2) A physical person is obliged to submit audited financial statement if his/her turnover exceeds €70.000 annually.