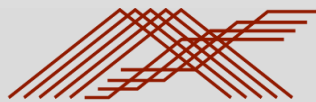


2015

APSEROU SHIAKA & CO LTD

Cyprus Tax information 2015

This publication provides an overview of the Cyprus Tax System and is intended for general guidance only.



Chartered Certified Accountants

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01 Personal Income Tax



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 2015

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
36.301 – 60.000	30	10.885
over 60.000	35	

Personal Income Tax

Tax Credit for foreign tax paid

Any Tax suffered abroad on Income, which is subject to Income Tax, will be credited against any Income tax payable on such Income irrespective of the existence of a double tax treaty.

Special Tax Rates

Foreign pensions of individuals:

- Up to €3.420	0%
- Over €3.420	5%

The taxpayer can elect to be taxed at the normal tax rates as set out above and the choice can be made year-on-year.

The gross amount of any royalty, premium, compensation or other income, derived from sources within Cyprus by any person not being resident, is subject to withholding tax of 10%

The gross amount of any rental in respect of the showing of cinematograph films in Cyprus, derived by any person who is not resident, is subject to withholding tax of 5%

The gross income derived by an individual not resident in Cyprus, from the exercise in Cyprus of any profession or vocation or of public entertainers (eg theatrical and musical entertainers) including football clubs and other athletic missions, is subject to withholding tax of 10%

Personal Income Tax

Exemptions

Types of income which are exempt from income tax

Type of income	Exemption limit
Interest, except for interest arising from the ordinary business activities or closely related to the ordinary business activities of an individual (N1)	The whole amount
Dividend income (N1)	The whole amount
Remuneration from any office or employment exercised in Cyprus by an individual who was not a resident of Cyprus before the commencement of his employment, for a period of 5 years for employments commencing as from 1 January 2012 if the annual remuneration exceeds €100.000	50% of income
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

Personal Income Tax

Type of income	Exemption limit
Capital sums accruing to individuals from any payments to approved funds (eg provident funds)	The whole amount
Profit from the sale of securities (N2)	The whole amount
Rent of preserved building (subject to certain conditions)	The whole amount

Notes:

1. Such dividend and interest income is subject to Special Contribution for Defence.
2. The term "Securities" is defined as shares, bonds, debentures, founders' shares and other securities of companies or other legal persons, incorporated in Cyprus or abroad and options thereon. A circular has been issued by the Tax Authorities in 2008 further clarifying what is included in the term Securities. According to the circular the term includes, among others,
 - options on Securities, short positions on Securities, futures/forwards on Securities, swaps on Securities, depositary receipts on Securities (ADRs, GDRs), rights of claim on bonds and debentures (rights on interest of these instruments are not included), index participations only if they result on Securities, repurchase agreements or Repos on Securities, units in open-end or close-end collective investment schemes.
 - The circular also clarifies specific types of participation in foreign entries which are considered as Securities.

Personal Income Tax

Tax deductions

The following types of expense are deductible 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								
<p>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. Losses in respect of the years up to 2009, which were not set off against profits up to the year 2014, may not be carried forward to the year 2015.</p>									
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	Depends on the size of the building								
	<table> <tr> <td>Eur €</td> <td>Per m²</td> </tr> <tr> <td>1.200</td> <td>1 – 120</td> </tr> <tr> <td>1.100</td> <td>121 – 1.000</td> </tr> <tr> <td>700</td> <td>1.001 - over</td> </tr> </table>	Eur €	Per m ²	1.200	1 – 120	1.100	121 – 1.000	700	1.001 - over
Eur €	Per m ²								
1.200	1 – 120								
1.100	121 – 1.000								
700	1.001 - over								

Personal Income Tax

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

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

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

Special Contribution	The whole amount
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Expenditure incurred for the acquisition of shares in an innovative business	The whole amount
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Personal Income Tax

Special Contribution

The following Special Contributions are payable according to monthly income:

Gross monthly emoluments from employment / pension €	Government and semi-government employees and pensioners	Private sector employees, self-employed individuals and private sector pensioners
For the year 2014-2016		
0 – 1.500	Nil	Nil
1.501 – 2.500	2,5%	2,5% (minimum €10)
2.501 – 3.500	3,0%	3,0%
Over 3.500	3,5%	3,5%

Notes:

1. In the case of employed individuals, the recipient of the remuneration is liable for half the Special Contribution and the employer for the other half.
2. For employees of the private sector, the following are exempt from the special levy:
 - Retirement bonus
 - Amounts paid by provident funds
 - Remuneration of a foreign citizen who is employed by a foreign government or by an international organization
 - Remuneration of foreign diplomats and consular representatives who are not citizens of the Republic
 - Remuneration of Cypriot ship's crew
 - Allowances paid to employees covering business expenses on behalf of an employer
3. The Special Contribution rate becomes 3,0%, 3,5% and 4,0% respectively for highly ranked civil service officials/ employees within their respective scale.

Personal Income Tax

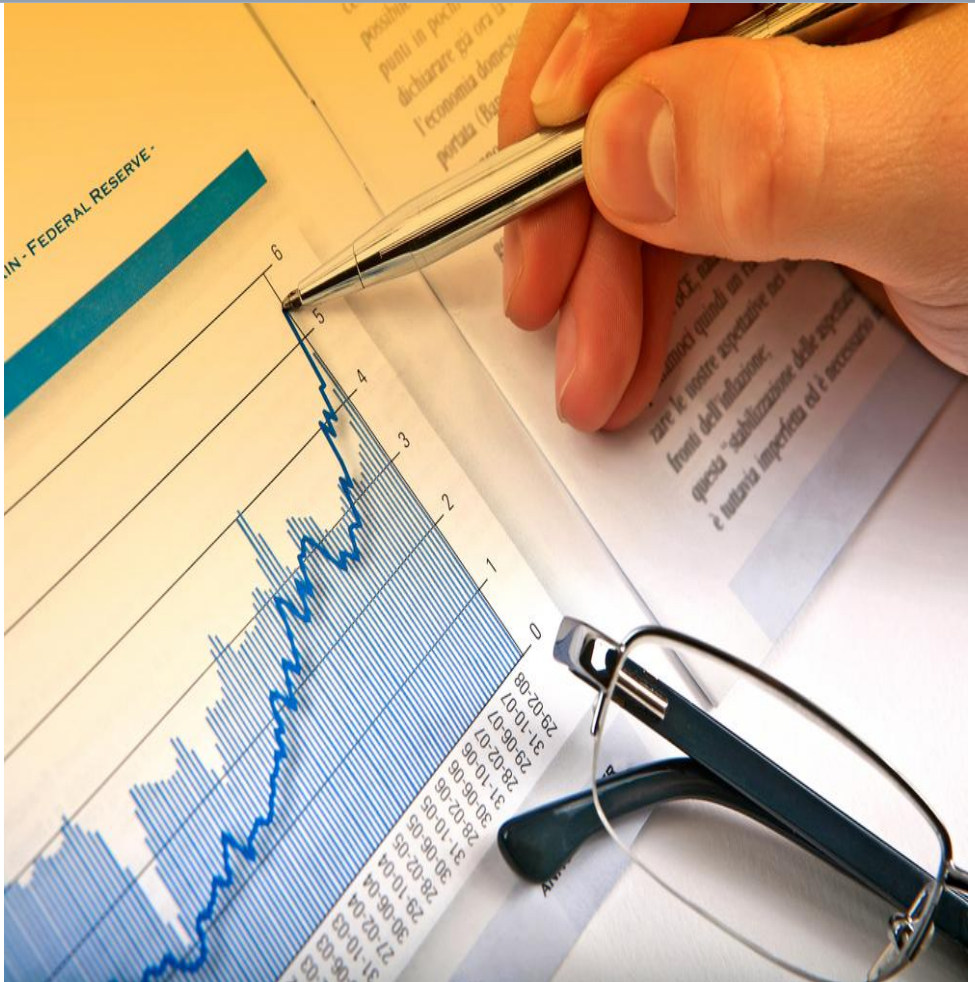
EXAMPLE OF TAX COMPUTATION:			
		€	€
Salary (€5.500x12)		66.000	
Rent receivable		6.000	
Interest receivable (exempt)		2.000	
Dividends receivable (exempt)		2.500	
Total income			76.500
Less: deductions			
Donations - (with receipts)		300	
Special Contribution		750	
20% of rent income		1.200	
Non Taxable Income		4.500	6.750
Net total income			69.750
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 (SIC) (paid €4.243)			
The total amount of life insurance premiums, provident fund and SIC are restricted to 1/6 of the net total income.			
(€7.700 + €2.500 + €4.243 = €14.443. This amount is restricted to 1/6 of €69.750)			
			11.625
Chargeable income			58.125
Tax payable: -first	(€19.500 @ NIL)	19.500	0,00
- next	(€8.500 @ 20%)	8.500	1.700,00
- next	(€8.300 @ 25%)	8.300	2.075,00
- next	(€21.825 @ 30%)	21.825	6.547,50

Personal Income Tax

Income tax payable		10.322,50
Special contribution for defence		
Dividends receivable		
€2.500 X 17%	425,00	
Interest receivable		
€2.000 x 30%	600,00	
Rent receivable		
€6.000 – 25% = €4.500 x 3%	135,00	
	1.160,00	
Social Insurance	4.243,00	
Special contribution	750,00	6.153,00
Total tax payable		16.475,50

02

Corporation Tax



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 in Cyprus if it is managed and controlled in Cyprus.

Corporation tax rates

	Tax rates %
The corporation tax rate for all companies is (from 1 January 2013)	12,50

Exemptions

Type of income	Exemption limit
Profit from the sale of securities (N1)	The whole amount
Dividend (N2)	The whole amount
Interest Income (not arising from the ordinary activities or closely related to the ordinary activities of the company) (N3,N4)	The whole amount
Profits of a permanent establishment abroad, under certain conditions	The whole amount

Notes:

1. For a definition of securities see page 7.
2. Such dividend income may be subject to Special Contribution for Defence.
3. All the interest income of Collective Investment Schemes is considered to be arising from the ordinary activities or closely related to the ordinary activities of the Scheme.
4. Such interest income is subject to Special Defence Contribution.

Corporation Tax

Tax deductions

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

Type of expense	Exemption limit
Interest expense incurred for the direct or indirect acquisition of 100% of the share capital of a subsidiary company will be treated as deductible for income tax purposes provided that the 100% subsidiary company does not own any assets that are not used in the business.	The whole amount
80% of the net royalty income, including the net income emanating from the disposal of the intangible assets (1,2) owned by a Cyprus tax resident company would be deemed as a deductible expense.	80% of the net income
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 maximum amount of €17.086
Special contribution for employees in the private sector	The whole amount

Corporation Tax

Expenses in relation to rents receivable	The whole amount
Interest relating to a rented property	The whole amount
Expenditure incurred for the acquisition of shares in an innovative business	The whole amount
but not including:	
Salaries for which contributions in respect of provident funds, pension funds, social security and other related funds were not paid within the year due for payment. If paid within two years from their due date, then the salaries and the related contributions will be allowed as a tax-deductible expense in the year that these are paid.	
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
Expenditure not supported by Invoices and receipts	The whole amount

Notes:

1. The term 'intangible assets' includes copyrights, patents and trademarks.
2. Additionally any expenditure of a capital nature incurred for the acquisition or development of such intangible assets may be claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight line basis.

Corporation Tax

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
<i>Motor Vehicles</i>	
• 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

Corporation Tax

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

<i>Others</i>	
• Tools in general	33 1/3
• Wind power generators	10
• Photovoltaic Systems	10
• Videotapes property of video clubs	50
• Computer hardware and operating systems	20
• Application software	
• Up to €1.709	100
• Above €1.709	33 1/3

Notes

1. Plant and machinery acquired/to be acquired during the tax years 2012, 2013 and 2014 are eligible to accelerated tax depreciation at the rate of 20% (except assets which are already eligible for a higher annual tax rate of tax depreciation).
2. In the case of industrial and hotel buildings which were/are to be acquired during the tax years 2012, 2013 and 2014, the accelerated tax depreciation rate of 7% per annum may be claimed.

Corporation Tax

Losses carried forward

Taxable losses incurred during a tax year and 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.

Taxable losses can not 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 incurred.

Group relief

The current year loss of one company can be set off against the current year profit of another provided the companies are 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. 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.

Corporation Tax

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.

Tax Credit for foreign tax paid

Any Tax suffered abroad on Income which is subject to Income Tax will be credited against any Income tax payable on such Income irrespective of the existence of a double tax treaty.

Corporation Tax

Special types of companies

1. Shipping companies

The Merchant Shipping (Fees & Taxing Provisions) Law was enacted in May 2010 and introduces a new tonnage tax system in Cyprus, applicable as from the fiscal year 2010.

Why is this significant development for the shipping industry?

The new tonnage tax system contains most of the favourable features found in tonnage tax systems in other EU countries, and more. The system, therefore, provides Cyprus with a competitive advantage and is expected to significantly contribute to the improvement of the already strong position of the country in the shipping world.

The main provisions of the new tonnage tax system are described below.

The tonnage tax system is available to any

Owner, charterer or ship manager who

Owns, charters or manages a

Qualifying ship in a

Qualifying shipping activity.

The tonnage tax is calculated on the net tonnage of the ship according to a broad range of bands and rates prescribed in the legislation. The rates applicable to ship managers are 25% of those applied for ship owners and

Corporation Tax

charterers.

Qualifying ship

A qualifying ship is any seagoing vessel certified under applicable international or national rules and regulations and registered in the ship register of any member of the International Maritime Organization and the International Labour Organization, which is recognized by Cyprus.

The new tonnage tax system specifically excludes certain types of ships, such as

- Fishing vessels,
- Ships used primarily for sports or recreation,
- River vessels,
- Non-self propelled floating cranes and
- Non-ocean going tug boats,
- Stationary vessels employed for hotel and/or catering operations
- Vessels employed mainly as gambling facilities and/or casinos

Qualifying shipping activity

Any commercial activity that constitutes **maritime transport**, crew management and/or technical management is considered a qualifying activity.

The definition of **maritime transport** includes the traditional carriage of goods and passengers, as well as ancillary services such as all hotel, catering, entertainment and retailing activities on board a qualifying vessel, the loading and unloading of cargo, the operation of ticketing facilities and passenger terminals. Towage, dredging and cable laying are also eligible for tonnage tax.

Corporation Tax

Ship owners

Ship owners of Cyprus flag ships, which are Qualified Ships and engaged in Qualified Shipping Activities, automatically fall within the scope of the tonnage tax system.

Ship owners of community flag ships and foreign flag ships may opt to be taxed under the tonnage system.

A Qualified Ship owner can be:

- A ship owner of a Cyprus flag ship provided the ship is a Qualified Ship engaged in Qualified Shipping Activities or
- A ship owner of an EU-flag ship that elects to be taxed under the TTS provided is a Cyprus tax resident and the ship is a Qualified Ship and engaged in Qualified Shipping Activities or
- A ship owner of a fleet of EU or non-EU ships (mixed fleet) that elects to be taxed under the TTS provided
 - is a Cyprus Tax resident and
 - the ships are Qualified Ships and engaged in Qualified Shipping Activities.
 - A mixed fleet must consist of at least 60% EU ships carrying an EU flag in order for the Ship owner to meet the requirements of the Law as Qualified Ship owner. If less than 60% then a share of the fleet must comprise of EU vessels and that share must not be reduced in three year period (flag share requirement) following the exercise of the option and

Corporation Tax

- The commercial – strategic management must be carried out from the EU/European Economic Area.
- Any ship owner opting for the tonnage tax system must remain in the system for 10 years. Early withdrawal will result in penalties, calculated as the difference between the amounts paid during the period the ship owner was under the tonnage tax system and the amount that would have paid had it been subject to corporation tax in the same period. In addition, the ship owner will lose the right to opt for tonnage taxation until expiration of the 10-year period from the date the option was first exercised.

Charterers

Any charterer who charters:

- a ship under bareboat
- demise charter
- time or voyage charter

is eligible to opt for TTS provided:

- that the ship charterer is a tax resident of Cyprus and
- the tonnage of the ships under time and/or voyage charters do not exceed 75% of the total tonnage of ships chartered and owned for more than 3 consecutive years. The eligibility percentage increases to 90% if the ships chartered are EU ships or their crew and technical management are carried out from the EU. The charterers of 3rd country flag ships must comply with the additional requirements that apply for 3rd country flag ship owners (i.e. flag share requirement).

Corporation Tax

Ship managers

A ship manager who provides:

- crew management services and/or
- technical management services

can opt to be taxed under the TTS provided it satisfies the following criteria:

- is a tax resident of Cyprus
- maintains a fully fledged office
- employment of a sufficient number of qualified personnel (51% of whom should be EU citizens)
- at least 2/3 of the management is carried out from the territory of the EU
- at least 60% of the fleet in terms of tonnage must comprise of EU flag vessels
- all vessels and crew under management must comply with international standards and EU law requirements relating to maritime security, safety, training and certification of seafarers, the environment, on-board working conditions and so on

additionally

- for crew managers there is an obligation for full implementation of the 2006 Maritime Labour Convention and
- for technical managers, they must have the ISM Code certification

Corporation Tax

10-year rule

Any ship owner, charterer or manager opting for the TTS must remain in the system for 10 years. Early withdrawal will result in penalties, calculated as the difference between the amount paid during the period under the TTS and the amount that would have paid had it been subject to corporation tax in the same period. In addition, the right to opt for tonnage taxation until expiration of the 10-year period from the date the option was first exercised is lost.

Economic benefits

- No tax on income derived from the operation of a Cyprus registered vessel
- No tax on dividends paid to shareholders of a Cyprus registered vessel out of profits made from the operation or from the sale of a ship
- No tax on interest earned on working capital of a Cyprus registered vessel
- No tax on the income or profit made from the sale of a Cyprus registered vessel
- No tax on the wages or other benefits of officers and crew members of a Cyprus registered vessel
- No estate duty on the inheritance of shares in a ship owning company
- No stamp duty on ship mortgage deeds or other security documents

Corporation Tax

Tonnage tax rates

The following table summarises the applicable rates for the tonnage tax calculation:

Net Tonnage					
0 –	1.001 –	10.001 –	25.001 –	> 40.000	
1.000	10.000	25.000	40.000		
€36,50	€31,03	€20,08	€12,78	€7,30	
per 100 NT	per 100 NT	per 100 NT	per 100 NT	per 100 NT	
Note: The rates applicable to ship managers are 25% of the above.					

Example:

Calculation of the annual tonnage tax for a 19.538 net tonnage vessel:

1.000 NT:	1.000/100 =	10 x €36,50	=	€ 365,00
9.000 NT:	9.000/100 =	90 x €31,03	=	€2.792,70
9.500 NT:	9.500/100 =	95 x €20,08	=	€1.907,60
38 NT:	38/100 =	0,38 x €20,08	=	€ 7,63
Annual tonnage tax due			=	€5.072,93

Corporation Tax

2. 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.

3. International Collective Investment Schemes (ICISs)

The sole object of an ICIS is the collective investment of funds of the unit holders. 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.

4. Intellectual property rights etc

The gross income arising from intellectual property rights, other exploitation rights, compensations or other similar income arising from sources within the Republic, of a person who is not resident in the Republic, is subject to withholding tax at a rate of 10%.

Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions). Rights granted for use outside the Republic are not subject to any withholding tax.

5. Film royalties etc

The gross income derived by a non-resident person in respect of royalties arising from film projection in the Republic is subject to withholding tax at a rate of 5%. Royalties received by a connected company registered in a European Union Member State are exempt from tax (subject to conditions).

Interest and additional penalty of 5% for late payment of tax withheld

Tax withheld on payments to non-Cypriot residents in relation to the below categories of income, should be paid to the Inland Revenue department by the end of the following month. In case of late payment of the tax withheld there will be an additional penalty of 5% on the amount of tax withheld and the total amount as calculated will be subject to interest of late payment.

- Copyrights for use within Cyprus
- Rights for cinematographic films
- Income of an individual for professional services, artists and athletes fees

03

Special Contribution for Defence



Special Contribution for Defence

Special Contribution for Defence

Special contribution for defence is imposed on income earned by Cyprus tax residents. Non-tax residents are generally exempt from special contribution for defence.

The rates for the Special Contribution for Defence are as shown in the table below:

Tax rates

	Individuals		Legal entities	
	%		%	
• Dividend income from Cyprus resident companies	17	(1)	Nil	(1)
• Dividend income from non-Cyprus resident companies	17		Nil	(2)
• Interest income arising from the ordinary activities or closely related to the ordinary activities of the business	Nil	(3)	Nil	(3)
• Other interest income	30	(4)	30	(4)
• Rental income (reduced by 25%)	3	(4)(5) (6)	3	(4)(5) (6)

Notes

1. Dividends declared by a Cyprus tax resident company to another Cyprus tax resident company after the lapse of four years from the end of the year in which the profits were generated are subject to 17% defence contribution. Dividends which emanate directly or indirectly out of such dividends on which special contribution for defence was previously suffered are exempt.

Special Contribution for Defence

2. Dividend income from abroad is exempt from defence fund contribution.

This exemption does not apply if:

(a) more than 50% of the paying company's activities result directly or indirectly in investment income **and**

(b) the foreign tax is significantly lower than the tax rate burden in Cyprus. The tax authorities have clarified through a circular that "significantly lower" means a tax burden rate below 5%.

When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 17%.

3. Such interest income is subject to personal income tax / corporation tax.
4. When the total income of an individual (including interest) does not exceed €12.000 in a taxable year the rate is reduced to 3%.
5. When the tenant is a Cyprus Company, partnership, the state or local authority, Special contribution for defence on rental income is withheld at source and is payable at the end of the month following the month in which it was withheld. In all other cases the special contribution for the defence on rental income is payable by the landlord in 6 monthly intervals on 30 June and 31 December each year.

For the interest and dividends paid to Cyprus tax residents any defence due is withheld at source and is payable at the end of the month following the month in which they are paid.

However, special contribution for defence on dividends, interest and rental income from abroad is payable in 6 months intervals on 30 June and 31 December each year.

6. Rental income is also subject to personal income tax / corporation tax.
7. Any foreign taxes paid, will be credited against the defence tax liability.

Special Contribution for Defence

Deemed dividend distribution

Cyprus resident companies not distributing a dividend within two years from the end of the tax year are liable to 17% special contribution for defence tax on 70% of their accounting profits after the deduction of the tax amount.

Taxation includes the following:-

- Corporate tax
- Special contribution for Defence Tax
- Capital Gains Tax and
- Any tax paid abroad that has not be credited against Income Tax and or Special Defence Tax.

In the case where a company disposes an asset to its shareholder (individual) or to his or her relative of up to second-degree relationship or his or her spouse, without consideration or for consideration which is below the market value of the asset disposed, it will be deemed, that the company has distributed dividend to its shareholder, equal to the difference between the market value of the asset and the amount of the consideration received.

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

Special Contribution for Defence

Company dissolution

The aggregate amount of profits in the five years prior to the company dissolution, which have not been distributed or be deemed to be distributed, will be considered as distributed on dissolution and will be subject to defence contribution at 17%.

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

The deemed dividend distribution provisions do not apply on any accounting profits arising during the dissolution or liquidation if the assets of the company are not sufficient for the repayment of its creditors and no amount is available to be distributed to its shareholders. (Effective from 1 July 2011).

Assets that are distributed to the company's shareholders upon the company's liquidation or dissolution, which have a market value that exceeds the cost of their acquisition by the company, the deemed distribution provisions will apply. The amount of the dividend that is deemed to be distributed to its shareholders will be equal to the difference between the market value of the assets and the cost of acquisition of the particular asset by the company. (Effective from 1 July 2011).

The deemed dividend distribution of profits that became realized upon the company's dissolution or liquidation may not exceed the amount of the net assets distributed to the shareholders (effective from 1 July 2011)

Special Contribution for Defence

Tax credit for foreign tax paid

Any tax suffered abroad on income, which is subject to defence contribution, will be credited against any defence contribution payable on such income irrespective of the existence of a double taxation treaty.

These provisions do not apply in the case of dissolution under reorganisation.

Reduction of capital

In the case of a company's capital reduction, any amounts paid to shareholder individuals in excess of the amount of the share capital that was actually paid by the shareholder will be treated as deemed dividend. (Effective from 1 July 2011).

Accounting profits for the tax years 2012, 2013 and 2014

The accounting profits for the tax years 2012, 2013 and 2014 will be adjusted for purposes of deemed distribution purposes provided the company had acquired in those years plant, machinery or buildings (excluding private motor vehicles) for business purposes. The cost of these assets will be deductible against the accounting profits.

04

Capital Gains Tax



Capital Gains Tax

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.

Capital Gains Tax

- 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.

05

Value Added Tax



Value Added Tax

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.

A payment is due from the state according to the following criteria:

- a period of three years 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 transactions;
- the input VAT relates to the purchase of capital assets of the company;
- 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).

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.

Value Added Tax

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 up to 12 January 2014 and 9% from 13 January 2014
- Standard rate (15%) from 1 January 2003 until 29 February 2012
- Standard rate (17%) from 1 March 2012 until 13 January 2013
- Standard rate (18%) from 14 January 2013 until 12 January 2014
- Standard rate (19%) from 13 January 2014

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; (till 9 January 2011)
- 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.

Value Added Tax

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
 - Books
 - Non-bottled water
 - 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
 - Salted or spicy products made from potato
 - Dry roasted or spicy nuts
- 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 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 standard rate;

Value Added Tax

- syrups, flavoured or / and coloured;
- supplies of medicines and vaccines which were previously taxed at standard rate;
- 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;

As of 10 January 2011 subject to the reduced rate of 5% are:

- a) Supply of foodstuff for human consumption including beverages but excluding alcoholic beverages and refreshments which are subject to the standard rate.
- b) Supply of drugs and vaccines used in medicine and veterinary.
- c) Supply of drugs used for medical treatment and disease prevention both in medicine and veterinary.
- d) Supply of food and beverages for take-away and delivery including beverages but excluding alcoholic beverages and refreshments which are subject to the standard rate.

Value Added Tax

Reduced rate of 9%

The reduced rate of 9% (8% till 12 January 2014) 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.
- hotel accommodation services, and
- supplies of goods made in the course of catering
- From 10 January 2011, supply of alcoholic beverages and refreshments in the course of catering services is subject to the reduced rate of 8%.
- Standard rated goods and services not covered by any of the aforementioned.

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.

Value Added Tax

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 m² and is restricted to 130 m².

The grant applies for contracts concluded up to 30 September 2011.

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

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.

For contracts concluded up to 30 September 2011 for the acquisition and/or construction of residences for use as the primary and permanent place of residence, the eligible person must apply for a grant.

The reduced rate of 5% applies for the first 200 square meters of residences of total covered area of up to 275 square meters. In the case of families with more than 3 children the allowable total covered area increases by 15 square meters per additional child beyond the three children.

Value Added Tax

The reduced rate is imposed only after obtaining a certified confirmation from the VAT Commissioner.

The eligible person must submit an application on a special form, issued by the VAT Commissioner, which will state that the house will be used as the primary and permanent place of residence. The applicant must attach a number of documents supporting the ownership rights on the property and evidencing the fact that the property will be used as the primary and permanent place of residence.

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

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 the rates of 0% and/or 5% and/or 8% and/or 15% and/or 17% and/or 18%) exceed the threshold amount of € 15.600 during the 12 preceding months.
- At any time, if there are reasonable grounds for believing that the value of the taxable supplies in the following 30 days then beginning will exceed of € 15.600.
- Receives services from abroad (EU and non EU) if the value exceed € 15.600.
- Provides services to businesses established in EU member States.
- Purchase goods from businesses established in EU member States (Intra-Community acquisitions) the value of which exceeds €10.251,61.

Value Added Tax

- Distance selling to consumers in the Republic of Cyprus starting 1st January each year which exceeds the threshold of €35.000.

Businesses with turnover of less than €15.600 can be registered voluntarily if they are involved in taxable activities.

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, the difference is refunded or is transferred to the next VAT quarters.

As from 19 February 2013 taxpayers who make a claim for VAT refund will be entitled to repayment of the principal amounts together with interest (currently set at 5% p.a.), in the event that the repayment is delayed for a period exceeding four months from the date of the submission of the claim.

The grace period for the VAT Authorities to repay the refundable amounts is extended by four months (i.e. eight months in total) in the event that the Commissioner is carrying out an investigation in relation to the submitted Claim.

Value Added Tax

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. IBCs have the option of voluntary registration; this enables them to be refunded VAT paid on Cyprus 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 related to taxable supplies thereby creating no cost to the business (reverse charge rule).

(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.

Value Added Tax

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

(c) Provision of services

I. 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 (reverse charge rule applies)
Cyprus VAT registered Company	EU Non VAT registered Company	Cyprus 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

Value Added Tax

Thresholds and penalties		Amount in Euro €
1.	Registration threshold (taxable supplies in Cyprus)	15.600
2.	Registration threshold for distance sales (sale of goods to persons not subject to VAT registration in Cyprus, by suppliers resident in another EU Member State)	35.000
3.	Registration threshold for acquisition of goods in Cyprus from suppliers resident in another EU Member States	10.251,61
4.	Registration threshold for intra-community supply of services	No threshold
5.	Registration threshold for receipt of services from abroad for which the recipient must account for VAT under the reverse charge provisions	15.600
6.	Penalty for late submission of VAT return	51 for each return
7.	Penalty for omission to keep books and records for a period of 6 years	341
8.	Penalty for late submission of VIES return	50 for each return
9.	Penalty for late submission of corrective VIES return	15 for each return
10.	Omission to submit the VIES return constitutes a criminal offence with a maximum penalty of	850
11.	Penalty for late registration with the VAT authorities	85 per month of delay

06

Immovable Property Tax



Immovable Property Tax

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 until September 2013

Property value at 1/1/1980	Rate	Accumulated tax
€	‰	€
Up to 120.000	-	-
120.001 - 170.00	4	200
170.001 - 300.000	5	850
300.001 – 500.000	6	2.050
500.001 – 800.000	7	4.150
Over 800.000	8	

Tax rates revised in September 2013

Property value at 1/1/1980	Rate	Accumulated tax
€	‰	€
Up to 12.500	-	-
12.501 - 40.000	6	240
40.001 - 120.000	8	640
120.001 – 170.000	9	450
170.001 – 300.000	11	1.430
300.001 – 500.000	13	2.600
500.001 – 800.000	15	4.500
800.001 – 3.000.000	17	37.400
Over 3.000.000	19	

Immovable Property Tax

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 and consulates
- 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.

07

Trusts



Trusts

A trust is established by an individual "the settlor" and is a means whereby one or more persons "the Trustees" hold property "the Trust Property" 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 involves trusts.

International trusts

The International Trusts Law of Cyprus governs international trusts. 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.

08

Transfer fees by the Department of Land and Surveys



Transfer fees by the Department of Land and Surveys

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%

The following rates are also applicable in the case of free transfers:

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

Transfer fees by the Department of Land and Surveys

Value in these cases is the one written on the title deed, which refers to values of the year 1920.

Mortgage registration fees are payable at 1% of the value of the loan/charge.

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

Abolition / Reduction of Property Transfer fees For the period 02/12/2011 – 31/12/2014

For the above period the following apply:

- 1 Exemption from transfer fees if the transfer relates to a transaction that is subject to VAT
- 2 In case a transaction is not subject to VAT, the legislation provides for an exemption of 50% of the transfer fees. This applies to transactions where transfer fees apply or are due and the transfer relates to plots of land, buildings or interests in land or indivisible interests that are sold for the first time from the date of issue of the relevant building permit and the relevant contract is prepared and submitted for the first time to the local District Land Registry during the period of application of the law.

09

Social Insurance



Social Insurance

Social Insurance

Salaried contributions

Employee contributions	%
• Social insurance	7,8
Other employer's contributions	
• Social insurance	7,8
• Social cohesion fund *	2,0
• Redundancy fund **	1,2
• Industrial training fund **	0,5
• Holiday fund (if is not exempt) **	8,0

* **Social cohesion fund is calculated on total emoluments and has no maximum level**

** **Restricted to the maximum level as with the social insurance contributions**

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

2015

€

- Weekly employees 54.396 (€1.046 per week)
- Monthly employees 54.396 (€4.533 per month)

The contributions of self-employed persons are 14,6 per cent of income, according to the following table.

Social Insurance

The upper limits of income on which self-employed persons pay social insurance contributions are €1.046 per week and the lower limits are as below:

	Lower Limit 2015
	Weekly €
1. Persons exercising a profession for over / under ten years	775,99 383,64
2. Wholesalers, estate agents, insurance agents, industrialists and other businessmen	775,99
3. Builders and other related businesses	470,83
4. Farmers, stock breeders, fishermen and other related activities	261,57
5. Transport drivers, excavator drivers and other related activities	374,92
6. Technicians	374,92
7. Clerks, typists, cashiers, secretaries	374,92
8. Artisans not falling under any other occupational category	374,92
9. Shopkeepers	357,48
10. Butchers, bakers, confectioners and similar profession	287,73
11. Street vendors, mail carriers, garbage collectors, miners and quarry workers, deck service providers and salesman	261,57
12. Cleaners, Messengers, watchpersons, dry cleaning owners	357,48
13. Draughtspersons, computer equipment operators, ships' engineers, agents and related occupations, musicians, magicians	383,64
14. Persons not falling under any other occupational category	383,64

Social Insurance

Deadline for payment of the contributions by the employers

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

Deadline for payment of contributions of self employed

Months that the contributions relate	Date
January – March	10 th of following May
April – June	10 th of following August
July – September	10 th of following November
October – December	10 th following February

Additional fee for late payment of contributions

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

10

Stamp Duty



Stamp Duty

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. In addition, any contracts relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from stamp duty.

Nature of documents	Up to 28/2/2013	As from 01/03/2013
• Receipts - for sums of €3,42 – €34,17	€0,03	
• Receipts - for sums of over €34,17	€0,07	
• Receipts for amounts over €4		€0,07
• Cheques	€0,05	
• Letters of credit	€1,71	€2,00
• Letters of guarantee	€3,42	€4,00
• Will	€17,09	€18,00
• Bills of exchange (payable within three days on demand or at sight)	€0,85	€1,00
• Contracts without fixed sum	€34,17	€35,00
• Contracts up to 28/2/2013		
- up to €170.860	1.5‰	
- over €170.860	2‰ plus €256,29 (maximum duty €17.086)	
• Contracts as from 01/03/2013		
- Up to €5.000		0%
- €5.001 - €170.000		1.5‰

Stamp Duty

	Up to 28/2/2013	As from 01/03/2013
- Over €170.000		0,2% (maximum duty €20.000)
• Customs declaration documents	€17,10 – €34,17	€18,00 - €35,00
• Bills of lading	€3,42	€4,00
• Powers of attorney	- general €5,13 - limited €1,71	€6,00 €2,00
• Certified copies of contracts and documents	€1,71	€2,00
• Issue of tax residency certificate by Inland Revenue Department		€80,00

Stamp Duty

Companies Registrar Rights and fees	
Registration of a limited company by shares or guarantee, with share capital	€105,00 plus 0.6% on nominal capital
Registration of a company without share capital	€175,00
Registration of an increase in the company's share capital	0,6% on the additional amount of increase
Registration of issue of shares where the value of the shares issued is payable in cash or in kind	€20,00 flat duty on every issue, whether the shares are issued at nominal value or at a premium.
Change of name of company	€40,00
Reduction of capital	€80,00
Application for registration of a general or a limited partnership	€120,00
Application for registration of a business name	€80,00
Filing with the Registrar of the following document:	
Annual Report	€20,00
Annual Report which is overdue	€40,00
Notification of a registered mortgage on immovable property in the Republic of Cyprus irrespective of the sum of money	€20,00
Registration of a charge apart from a mortgage on immovable property within the Republic of Cyprus:	
- On the form of notification of the charge	€40,00

Stamp Duty

- On the charge document securing maximum amount:	
- For a sum of money up to €17.086	€100,00
- For a sum of money exceeding €17.086 but not over €34.172	€200,00
- For a sum of money exceeding €34.172 but not over €85.430	€340,00
- For a sum of money exceeding €85.430 but not over €170.860	€500,00
- For a sum of money over €170.860 where no amount is mentioned	€600,00

Payment of annual levy by companies registered in the Cyprus company register

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

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

11

Tax Diary



Tax Diary

Tax Diary

End of following month

Payment of tax deducted from employees salary (PAYE)

Defence contribution deducted from dividends, interest on rent* paid for the previous month

Payment of tax withheld in the preceding month on payments to non-Cyprus residents

* Companies, partnerships, the Government or any local authority that pay rent have an obligation to withhold special defence contribution on the amount of the rent paid. (Effective from 1 July 2011)

31 January

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

31 March

Electronic submission of the 2013 corporation tax return (IR4) for accounting periods ending on 31 December 2013

Submission of the 2013 income tax return of physical persons preparing audited financial statements

Submission of return and payment of the first installment of the special tax levy by Credit Institutions for 2015

30 April

Submission of the previous year personal returns of individuals whose total gross income exceeds €19.500

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

Tax Diary

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 on rents, dividends and interest derived from sources outside Cyprus.

Payment of tax balance for 2014 through self-assessment by individuals who do not prepare audited accounts

Payment of the second installment of the special tax levy by Credit Institutions for 2015

31 July

Electronic submission by employers of the total 2012 payroll (Form IR7).

Submission of provisional tax assessment for 2015 and payment of the first installment.

Electronic submission of 2014 personal tax returns of individuals whose gross income exceeds €19.500.

1 August

Payment of previous year's final corporation tax under the self-assessment method and of personal income tax by individuals preparing audited financial statements.

31 August

Payment of premium tax for life insurance companies - second

instalment for the year.

30 September

Payment of immovable property tax for the year

Electronic submission of personal tax return for 2014 by individuals who do not prepare audited accounts and their gross income exceeds €19.500

Payment of the third instalment of the special tax levy by Credit Institutions for 2015

31 December

Submission of previous year audited financial statements and tax returns

As from 1st July 2011, individual and companies that prepare audited financial statements are obliged to submit their tax returns electronically. In case of electronic submission of tax returns, the deadline is extended by 3 months.

Payment of provisional tax - second and last instalment for the year

Payment of second instalment of special contribution for defence for the last six months of the year, on rents and on dividends and interest from sources outside Cyprus.

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

Payment of the fourth instalment of the special tax levy by Credit Institutions for 2015

Interest and Penalties

The rate of Interest for late payment of tax for 2015, as set by the Minister of Finance, is 4,50%.

The applicable interest rate for the previous years is as follows:

Period	Interest rate %
Up to 31/12/2006	9
01/01/2007 – 31/12/2009	8
01/01/2010 – 31/12/2010	5.35
01/01/2011 – 31/12/2012	5
01/01/2013 _ 31/12/2013	4,75
01/01/2014 _ 31/12/2014	4,50

In addition to interest, penalties are also charged depending on the circumstances.

Administrative penalties amounting to €100 or €200 depending on the specific case, will be imposed for late submission of declarations or late submission of supporting documentation requested by the Commissioner. In the case of late payment of the tax due, an additional penalty at the rate of 5% will be imposed on the unpaid tax.

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.

Conduct details

Apserou Shiaka & Co Limited

**22A Evagoras Pallikarides
Ayios Dometios
2369 Nicosia
Cyprus**

W: www.shiakas.com

E: info@shiakas.com

T: 00357 22 424 096

F: 00357 22 424 097