

## Tax News

# Amendments to the Tax Law

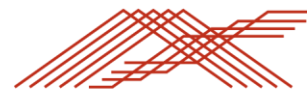
**Most of the amendments voted on July 9, 2015, aim to the modernization of the Cyprus tax system and improve the competitiveness of Cyprus in attracting foreign investment.**

On July 9, 2015, the House of Representatives passed amendments to the Cyprus tax legislation which were published in the Official Gazette of the Republic on July 16, 2015.

The major Cyprus Tax Reforms that finally have been passed by the Cyprus House of Representatives relate to :

- **The Income Tax Law**
- **The Special Contribution for Defence Tax Law**
- **The Capital Gains Tax Law**
- **The Lands and Surveys Department (Fees and Rights) Law**





## The new equity and notional interest deduction (NID) for Cyprus Companies

According to the amending law, companies operating in Cyprus, can claim a Notional Interest Deduction (NID) and is calculated based on new equity used to finance business assets.



## The Income Tax Law

The New equity and notional interest deduction for Cyprus Companies

According to the amending law, companies resident in Cyprus or companies not resident in Cyprus with a permanent establishment in Cyprus can claim a notional interest deduction (NID) in respect of new equity. The new equity can be contributed in cash or in assets in kind and is used to finance business assets.

NID is calculated by multiplying the "new equity" with the "reference interest rate".

For the purposes of the Law:

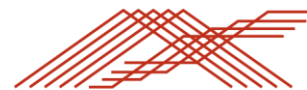
- "Reference interest Rate" means the yield rate of the 10 year government bonds of the Country where the funds are employed increased by 3 percentage points, with a minimum rate of return the 10 year government bonds of the Republic, increased by 3 percentage points as at 31 December of the year preceding the tax year.
- «new equity" means the equity which has been introduced in the company on or after January 1, 2015, but which do not include amounts that have been capitalized and are derived from the revaluation of movable or immovable securities
- «Old equity" means the equity that existed on December 31, 2014
- «equity» means the issued share capital and share premium from the issue of shares to the extent that they have been paid.

Capital is not considered as new equity, if the funds that have been introduced in the company on or after January 1, 2015 which directly or indirectly relate to the reserves outstanding as at December 31, 2014 and are not related to new assets used in the business.

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*The amount of NID may not exceed the rate of eighty percent (80%) of taxable income and cannot be carried forward to future tax years*

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**The Law has been amended so that individuals who are not "domicile" in Cyprus be exempted from the payment of the Special Contribution for Defence on income from dividends, interest and rents, even if they are considered as tax residents of Cyprus**

## Special Contribution for Defence Law

Introduction of "domicile" concept in the Special Contribution for Defence Law

For purposes of the Law, an individual is domiciled in Cyprus if he has his domicile of origin in Cyprus based on the provisions of the Wills and Succession Law excluding –

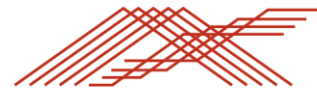
1. An individual who has his domicile of origin in Cyprus, has obtained and maintained domicile of choice outside Cyprus, based on the provisions of the Wills and Succession Law, provided that he was not tax resident in Cyprus for any period of at least 20 consecutive years before the tax year, or
2. An individual who was not a tax resident in the Republic for at least 20 consecutive years immediately before the entry into force of the Law.

An individual is considered to have his domicile in Cyprus for the purposes of this Law if he was a tax resident in Cyprus for at least 17 out of the last 20 years before the tax year, irrespective of whether or not has his domicile of origin in Cyprus.



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## Capital Gains Tax Law

The Capital Gains Tax Law has been amended so that the profits arising from the disposal of immovable property, be exempted from paying capital gains tax, provided that the property

1. was acquired from the effective date of the amending law until December 31, 2016
2. was acquired by a purchase agreement, but not exchange or donation, to its market value by an unrelated person

This exemption does not apply to the disposal of immovable property acquired under the property sales process pursuant to the Transfers and Mortgaging Real Estate Law.

## About the Department of Lands and Surveys (Fees and Rights) Law

Transfer fees are reduced by 50% for any transfer of immovable property, provided that

The transfer is effected until December 31, 2016, regardless of the date of entering into the contract or deposit in the Land Registry or

The contract is deposited in the Land Registry between the period December 2, 2011 until December 31, 2016 , regardless of the date of the transfer.

**1. CGT exemption on Real Property acquired until December 31, 2016**

**2. Fees are reduced by 50% for any transfer of immovable property**



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